SAJJAD TEXTILE MILLS LTD.

ANNUAL REPORT
2013

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Muhammad Asim Sajjad - Chief Executive
Mr. Salman Muhammad Aslam
Mr. Aftab Anwar
Mr. Muhammad Amjad
Miss Batool Zahra
Mr. Mehr Allah Yar
Mr. Sultan Mehmood

CFO/COMPANY SECRETARY

Mr. Irfan Hamid

AUDITORS

M/s. Mudassar Ehtisham & Co.
Chartered Accountants

AUDIT COMMITTEE

Mr. Sultan Mehmood - Chairman
Mr. Mehr Allah Yar - Member
Miss Batool Zahra - Member

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Sultan Mehmood – Chairman
Mr. Salman Muhammad Aslam - Member
Mr. Aftab Anwer - Member
Mr. Muhammad Amjad - Member

BANKERS

Habib Metropolitan Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Habib Bank Limited

COMPANY SHARE REGISTRARS

Hameed Majeed Associates (Pvt) Ltd.
1st Floor, H.M. House,
7 - Bank Square, Lahore
TEL: 042.37235081-82
FAX: 042-37358817
e-mail: shares@hmaconsultants.com

REGISTERED OFFICE

19-B, Off. Zafar Ali Road,
Gulberg-V, Lahore.
Tel: 042-5712291 & 94
Fax: 042-5711526
E-Mail: Info@sajjadtextile.com

MILLS ADDRESS

64-KM, Multan Road, Jumber Kalan
Tehsil Chunian
District Kasur.
Tel: 04951-388102

VISION STATEMENT

We aim at seeing our company to be a model manufacturing unit producing high quality products by complying with the requirements of Quality Management System and continuously improving its effectiveness for total customer's satisfaction. We wish to play a leading role in the economy by keeping a substantial presence in the export and local markets.

MISSION STATEMENT

1. To purchase and install state of the art machinery and to acquire sophisticated process technology to achieve maximum growth in a competitive quality environment.
2. To exercise maximum care for improvement of quality of our products by employing a team of highly skilled technicians and professional managers.
3. To strive hard to develop new markets for the sale of our products locally and internationally.
4. To improve customer's satisfaction level by adhering strictly to quality requirements of our customers in local and export markets and by improving communications with customers for receiving prompt feed backs about quality of our products.
5. To attend to the prompt resolution of customer's complaints by taking timely corrective measures to redress the quality complaints.
6. To improve logistic facilities for our customers dispatch programme and issue all shipments/delivery documents well in time.
7. To make comprehensive arrangements for the training of our workers / technicians.
8. To promote team work, sense of transparency, creativity in our professionals and technical people.

KEY OPERATING AND FINANCIAL DATA

OPERATING

RUPEES IN MILLION

	2013	2012	2011	2010	2009	2008
Net Sales	**807.5**	307.9	189.5	-	301.1	789.5
Gross Profit	**122.3**	20.0	9.4	(23.3)	(4.4)	10.8
Operating Profit/(Loss)	**85.2**	5.6	2.1	(30.0)	(25.3)	(20.8)
Pre tax Profit/(Loss)	**80.0**	1.7	1.8	77.0	(70.9)	(60.8)
After tax Profit/(Loss)	**51.7**	2.6	(11.4)	77.8	(57.2)	(50.0)

FINANCIAL

	2013	2012	2011	2010	2009	2008
Tangible Fixed Assets-Net						
- Operating	**441.0**	379.0	386.4	403.3	374.3	392.5
- Capital work-in-progress	**-**	-	-	-	-	-
- Leased	**-**	-	-	-	-	-
Deposits	**11.4**	11.4	11.4	11.3	2.4	2.3
	452.4	390.4	397.8	414.6	376.7	394.8
Current Assets	**258.8**	106.0	64.0	17.0	18.9	194.5
Current Liabilities	**(168.0)**	(80.9)	(46.2)	(23.8)	(133.7)	(245.6)
	90.8	25.1	17.8	(6.8)	(114.8)	(51.1)
Capital Employed	**415.5**	415.5	415.6	403.7	261.9	343.7
Long Term Loans and Other Liabilities	**48.4**	21.2	24.0	12.9	127.3	121.7
Share Holders' Equity	**367.1**	394.3	391.5	390.7	134.6	222.0

REPRESENTED BY

	2013	2012	2011	2010	2009	2008
Share Capital	**212.7**	212.7	212.7	212.7	212.7	212.7
Accumulated Loss	**(95.8)**	(151.1)	(158.0)	(150.6)	(241.4)	(188.2)
Surplus on revaluation of Fixed Assets	**166.2**	121.0	125.2	129.2	71.8	75.8
Directors and Sponsors loan	**211.7**	211.7	211.6	199.4	91.6	121.6
	494.7	394.3	391.5	390.7	134.6	222.0

RATIO

	2013	2012	2011	2010	2009	2008
Debt/Equity Ratio	**35 : 65**	50 : 50	50 : 50	52 : 48	70 : 30	50 : 50
Current Ratio	**1.54 : 1**	1.31 : 1	1.39 : 1	0.69 : 1	0.08 : 1	0.70 : 1
Gross Profit/(Loss) to Sales %	**15.2**	6.5	4.9	-	(0.015)	1.4
Net Profit/(Loss) to Sales %	**6.4**	0.9	(6.0)	-	(0.19)	(6.3)
Break-up value per Share (Rs.)	**13.31**	8.58	8.46	6.67	2.03	4.72
Earning/(Loss) per Share (Rs.)	**2.43**	0.12	(0.53)	3.66	(2.70)	(2.35)
Dividends %	**5.00**	-	-	-	-	-

REVIEW REPORT TO THE MEMBERS
ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Sajjad Textile Mills Limited** ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls. Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

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

Mudassar Ehtisham & Co.
Chartered Accountants

September 30, 2013
Lahore

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of the Shareholders of **SAJJAD TEXTILE MILLS LIMITED** will be held at Company's Registered Office, 19-B, Off. Zafar Ali Road, Gulberg-V, Lahore on October 31, 2013 (Thursday) at 11:30 A.M. to transact the following business:

1. To confirm the minutes of last Annual General Meeting of the Company held on October 31, 2012.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2013 together with the Directors' and Auditors' Reports thereon.
3. To approve the Final Cash Dividend @ 5.00% i.e. Rs.0.50 per share of the Rs.10 each, as recommended by the Directors.
4. To appoint Auditors for the year ending June 30, 2014 and to fix their remuneration. The present auditors M/s Mudassar Ehtisham & Company – Chartered Accountants being eligible, have offered themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Lahore
Dated: September 30, 2013

(IRFAN HAMID)
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 24, 2013 to October 31, 2013 (both days inclusive). Transfers received in order at Company's Independent registrar's Office, Hameed Majeed Associates (Private) Limited, H.M. House, 7- Bank Square, Lahore by the close of business October 23, 2013 will be treated in time for the entitlement of dividend to the transferees and to attend the meeting.
2. A member entitled to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxy form and power of attorney or other authority under which it is signed or notarially attested copy of the power of attorney must be received at the Registered Office of the Company not later than 48 hours before the time of the meeting.
3. Any individual Beneficial Owner of CDC entitled to attend and vote at this meeting, must bring his/her CNIC or Passport to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. The Members are requested to submit declaration for zakat on the required format and notify the change in address immediately, if any.
5. Members are requested to send copies of their CNICs to the Company's Registrar to enable the Company to comply with direction of the Securities and Exchange Commission of Pakistan contained in SRO-831(1) 2012.
6. CDC Account Holder will further have to follow the guidelines as laid down in Circular No.1 of 2000, dated: 26th January, 2000 issued by Securities and Exchange Commission of Pakistan.

DIRECTORS' REPORT TO THE MEMBERS

IN THE NAME OF ALLAH THE MOST GRACIOUS THE MOST MERCIFUL

Dear Members
Assalam-o-Alaikum,

The Directors welcome you to the 25th Annual General Meeting of the Company and are pleased to present the Annual Report together with the Audited Accounts, Auditors' Report and other various statements as required by the code of Corporate Governance of Stock Exchanges for the period ended June 30, 2013.

Financial Results

The financial results are as under:

	30-06-2013 RS. (M)	30-06-2012 RS. (M)
Sales	807.481	307.852
Cost of Sales	685.143	287.828
Gross Profit	122.338	20.024
Profit before Financial & Other Charges	85.180	5.571
Profit before Taxation	80.000	1.679
Taxation	28.337	0.943
Profit after Taxation	51.663	2.623

The Company made before tax profit of Rs. 80.000 million for the year ended June 30, 2013 as against before tax profit of Rs. 1.679 million for preceding year.

Earning/(Loss) per share

The Earning per share for the period under review is Rs. 2.43 in comparison as against earning per share of Rs. 0.12 in the preceding year.

Dividend

The Directors have approved a final cash dividend of 5% i.e. Rs.0.50 per share of Rs.10/- each.

Future Prospects

The Company management is pleased to inform that Company has successfully enhanced its production as well as sales volume in the financial year under discussion. The Company has earned a gross profit of Rs. 122.338 million and profit before taxation of Rs.80.000 million. The Company management along with staff members have worked hard to put the Company in stable position which is evident from the current year's performance of the Company. The Company has produced 100% Cotton Yarn and export sales in current year have increased to Rs. 169.030 million from Rs. 5.778 million in the preceding year. The management places its appreciation on the record for workers and staff. The management has purchased two new Draw Frame RSB D-22 double delivery & Auto-leveler draw frame machines from Rieter Machine Works Limited to upgrade the quality of the yarn. The management is hopeful for the bright future of the company.

DIRECTORS' REPORT TO THE MEMBERS

Corporate and Financial Reporting Framework

a) The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
b) Proper books of account of the Company have been maintained.
c) Appropriate account policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
d) International Accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
e) The system of internal control is sound in design and has been effectively implemented and monitored.
f) The Company has appointed the Horwath Hussian Chaudhary & Company – Chartered Accountants firm as its internal auditor.
g) There has been no material departure from the best practices of Corporate Governance, as detailed in the Listing Regulations.
h) Key Operating and Financial Data for the last six (6) years in summarized form are annexed.
i) There are no overdue taxes and levies as on 30th June, 2013 other than sales and income tax withheld as withholding agent.
j) The Company operates un-funded gratuity scheme for its employees and proper provision has been made in the accounts.
k) Pattern of shareholding and additional information is annexed.
l) Chief Financial Officer / Company Secretary has not been changed during the year.
m) The appointment of external auditors will be discussed in the annual general meeting; however existing external auditors M/s Mudassar Ehtisham & Company – Chartered Accountant being eligible for re-appointment have offered their services.
n) Mr. Muhammad Asim Sajjad, in addition to Mr. Muhammad Amjad who already has obtained directors training certification, has completed certification under Directors' Training Program from The University of the Lahore as per revised code of corporate governance - 2012.
o) Company's periodic financial statements and investor related information, as per Securities and Exchange Commission of Pakistan's instructions, is available on the company's website www.sajjadtextile.com.
p) During 2012-2013, trades in shares of the Company were not carried out by the Directors, CEO, CFO, Company Secretary, their Spouses and minor children.
q) Ten (10) Board of Directors' Meetings were held during the year. Following was the attendance of the Directors:-

Name of Directors	No. of Meetings Attended
Mr. Muhammad Asim Sajjad	10
Mr. Salman Muhammad Aslam	10
Mr. Aftab Anwar	10
Mr. Muhammad Amjad	10
Miss Batool Zahra	10
Mr. Mehr Allah Yar	07
Mr. Sultan Mahmood	07

Directors who could not attend Board Meetings due to illness or some other reasons were granted leave of absence in accordance with the law.

Audit Committee

The Board of Directors in compliance of Code of Corporate Governance has established and Audit Committee which consists of following directors:

Name of Member		No. of Meetings Attended
Mr. Sultan Mehmood	Chairman	05
Mr. Mehr Allah Yar	Member	05
Miss Batool Zahra	Member	05

Human Resource and Remuneration Committee

In compliance with the Code of Corporate the Governance the Board of Directors has formed a human Resource and Remuneration Committee (HR & R Committee) comprising of four members named below one of which is independent director:

Name of Member	
Mr. Sultan Mehmood	Chairman
Mr. Salman Muhammad Aslam	Member
Mr. Aftab Anwer	Member
Mr. Muhammad Amjad	Member

Statement of compliance with Code of Corporate Governance is annexed.

The Statutory Auditors will retire and being eligible for re-appointment has offered for appointment for the next financial year.

The labour and management relations remained cordial during the year. The directors of the Company place on record their appreciation to all the suppliers who have extended their valuable financial support to the Company during the year.

For and on behalf of the Board

Lahore
Dated: September 30, 2013

(MUHAMMAD ASIM SAJJAD)
Chief Executive

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

(Appendix-B)
[See clause (XI)]

Name of company **SAJJAD TEXTILE MILLS LIMITED** Year Ended 30th June, 2013.

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulation No. 35 of stock exchanges in Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages the representation of non-executive directors and directors representing minority interests on its Board of Directors. At present the Board of Directors includes three non-executive directors and one independent director.

Category		Name
Executive Director	1	Mr. Muhammad Asim Sajjad
-do-	2	Mr. Salman Muhammad Aslam
Non-Executive Director	3	Mr. Aftab Anwar
-do-	4	Mr. Muhammad Amjad
-do-	5	Miss Batool Zahra
-do-	6	Mr. Mehr Allah Yar
Independent Director	7	Mr. Sultan Mehmood

The independent director meets the criteria of independence under clause I (b) of the CCG.

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

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

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

5. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.

6. The Board has developed a vision/mission statement and quality policy. Overall corporate strategy and significant policies of the company are under process of approval.

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

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

9. The Company has arranged orientation program for the directors and two of the directors have acquired certification of directors' training as required under code of corporate governance. The Chief Executive recommends that members of the Board should approach him, should they feel any necessity to conduct other orientation courses in this regard.

10. The Board has approved appointment of Internal Auditors, Horwath Hussain Chaudhary & Company - Chartered Accountants, including their remuneration and terms and conditions of employment, as determined by the Board of Directors.

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

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

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

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

15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors and one independent director.

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

17. The Board had formed an Audit Committee. It comprises three (3) members; of whom two (2) are non-executive directors and the chairman of the committee is an independent director.

18. The Board has set up an effective internal audit function who is suitably experienced and his conversant with the policies of the company. The internal audit function was duly reviewed and ratified by the Audit Committee and approved by the Board of Directors of the Company.

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

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

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

22. We confirm that all other material principles contained in the Code have substantially complied with.

Lahore
Dated: September 30, 2013

(MUHAMMAD ASIM SAJJAD)
Chief Executive

CORPORATE SOCIAL RESPONSIBILTY

This statement is being presented to comply with the corporate social responsibility.

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

1. The Company has implemented all possible measures for the conservation of the energy in order to play its part of job in facing the energy crisis in the country. The Company has restricted the use of electric and gas heaters, the time scheduling has been implemented in the use of A/C and electrical equipments.

2. To ensure the healthy and pollution free environment Sajjad Textile Mills Limited encourages its employees to grow the trees and plants.

3. The Company has adopted fair policy for providing better quality of yarn to our customers so as to deliver good quality clothing's to the end users.

4. The Company management has successfully promoted and maintained an environment of mutual trust and respect between the workers and management.

5. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.

6. The Company has employed disabled persons as per labour laws prevailing in Pakistan.

7. The management has devised a code of ethics for employees to safeguard safety and health issues. The Company has an encouraging environment regarding the workers safety and health. The Company has arranged the first aid facility for providing emergency treatment for labour. Occupational safety and health is ensured by during the operational hours as well as in mills colony.

8. The management has also devised a code of business ethics in order to conduct the smooth business transactions and to avoid any misbehave or un-even incidents.

9. The Company is contributing towards national exchequer by paying its due taxes and levies to the government. All government taxes, dues and levies are paid in time and had never defaulted in such payments.

10. The Company is running under considerable accumulated loss and keeping in view disturbed cash flow, no contribution is made towards corporate philanthropy, community investment & welfare schemes and spending for under-privileged classes/ rural development.

Lahore
Dated: September 30, 2013

(MUHAMMAD ASIM SAJJAD)
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

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

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

Mudassar Ehtisham & Co.
Chartered Accountants
Audit Engagement Partner: Muhammad Ehtisham

September 30, 2013
Lahore

BALANCE SHEET

AS AT JUNE 30, 2013

	NOTE	2013 (Rupees)	2012 (Rupees)
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	4	441,007,690	379,037,763
Long term deposits	5	11,368,938	11,368,938
		452,376,628	390,406,701
CURRENT ASSETS			
Stores and spares	6	12,251,411	13,317,554
Stock-in-trade	7	145,012,780	45,105,918
Trade debts	8	69,266,135	15,977,363
Loans and advances	9	1,113,281	3,919,591
Trade deposits, prepayments & other receivables	10	23,209,818	11,508,333
Financial asset	11	17,732	18,484
Cash and bank balances	12	7,893,110	16,111,879
		258,764,267	105,959,122
TOTAL ASSETS		711,140,895	496,365,823
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
30,000,000 Ordinary Shares of Rs.10/- each		300,000,000	300,000,000
Issued, subscribed and paid-up capital	13	212,678,000	212,678,000
Capital reserve	14	11,920	8,764
Accumulated loss		(95,828,509)	(151,131,316)
		116,861,411	61,555,448
Surplus on revaluation of fixed assets	15	166,193,180	121,019,067
NON-CURRENT LIABILITIES			
Loan from directors and sponsors	16	211,692,447	211,692,447
Deferred liabilities	17	48,439,113	21,243,239
		260,131,560	232,935,686
CURRENT LIABILITIES			
Trade and other payables	18	132,037,079	50,388,174
Accrued mark-up	19	9,876,191	5,127,289
Short term loan from sponsors	16.3	24,900,000	23,300,000
Provision for taxation		1,141,474	2,040,159
		167,954,744	80,855,622
CONTINGENCIES & COMMITMENTS	20	-	-
TOTAL EQUITY AND LIABILITIES		711,140,895	496,365,823

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

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2013

	NOTE	2013	2012
		(Rupees)	(Rupees)
Sales - net	21	807,481,022	307,851,826
Cost of Sales	22	(685,142,706)	(287,828,176)
Gross Profit		122,338,317	20,023,650
Distribution costs	23	(8,985,166)	(687,975)
Administrative expenses	24	(23,156,042)	(11,695,525)
Other operating expenses	25	(6,502,098)	(2,070,018)
		(38,643,306)	(14,453,518)
		83,695,010	5,570,132
Other Operating Income	26	1,484,801	430
Operating profit before finance costs		85,179,811	5,570,562
Finance cost	27	(5,179,307)	(3,891,311)
Profit before taxation		80,000,504	1,679,251
Taxation	28	(28,337,348)	943,499
Profit after taxation		51,663,156	2,622,750
Basic & Diluted Earning per share	29	2.43	0.12

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

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees)	2012 (Rupees)
Profit for the year after taxation		**51,663,156**	2,622,750
Other comprehensive income for the year			
Surplus on re-measurement of investment available for sale to fair value		**4,855**	1,680
Income tax relating to component of other comprehensive income		**(1,699)**	(588)
Total other comprehensive income for the year		**3,156**	1,092
Total comprehensive income		**51,666,312**	2,623,842

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

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT

For the Year Ended June 30, 2013

	NOTE	2013 (Rupees)	2012 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		80,000,504	1,679,251
Adjustment for:			
Depreciation		16,709,187	16,818,389
Amortization of Intangible Assets		-	97,453
Gratuity provision		2,132,875	527,100
Workers' Profit Participation Fund		4,296,482	96,409
Workers' Welfare Fund		1,632,663	36,635
Loss on sale of fixed assets		572,953	1,821,093
Financial Charges		5,179,307	3,891,311
Operating Loss before working capital changes		110,523,971	24,967,641
Adjustments for working capital changes:			
(Increase) / Decrease in Current Assets			
Stores and Spares		1,066,143	(3,015,563)
Stock in Trade		(99,906,862)	(17,036,400)
Trade Debts		(53,288,772)	(5,902,488)
Loans and Advances		2,806,310	(3,215,320)
Trade deposits, prepayments and other receivables		(8,268,845)	(3,484,100)
		(157,592,026)	(32,653,871)
(Decrease) / Increase In Current Liabilities			
Trade and Other Payables		73,834,517	13,489,140
		73,834,517	13,489,140
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (utilized) in operations		26,766,463	5,802,910
Finance costs paid		(430,405)	(76,969)
Gratuity paid		(1,737,800)	(275,600)
Workers' profit participation fund paid		-	(4,244,607)
Income & Sales tax paid		(5,648,437)	(1,575,948)
Net cash (utilized in) operating activities		18,949,821	(370,214)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(29,630,660)	(11,476,550)
Proceeds from disposal of property, plant & equipment		862,070	146,552
Net cash (out flow) / in flow from investing activities		(28,768,590)	(11,329,998)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from directors and sponsors - disbursements		-	-
Short term loan from sponsors - disbursements		1,600,000	23,300,000
Net cash in flow from financing activities		1,600,000	23,300,000
Net increase in cash and cash equivalents		(8,218,769)	11,599,788
Cash and cash equivalents at beginning of the year		16,111,879	4,512,091
Cash and cash equivalents at end of the year	12	7,893,110	16,111,879

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

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2013

	SHARE CAPITAL	CAPITAL RESERVES	ACCUMULATED LOSS	TOTAL
	Paid up ordinary share capital	Unrealized gain on re-measurement of available for sale investment		
	---------- Rupees ----------			
Balance as at June 30, 2011	**212,678,000**	**7,672**	**(157,896,082)**	**54,789,590**
Total comprehensive income for the year ended June 30, 2012				
- Profit for the year after taxation	-	-	2,622,750	2,622,750
- Other Comprehensive income	-	1,092	-	1,092
	-	1,092	2,622,750	2,623,842
Revaluation surplus realized on account of:				
- Incremental Depreciation current year - net off Tax	-	-	3,829,112	3,829,112
- Disposal of property, plant & equipment- net off Tax	-	-	312,904	312,904
	-	-	4,142,016	4,142,016
Balance as at June 30, 2012	**212,678,000**	**8,764**	**(151,131,316)**	**61,555,448**
Total comprehensive income for the year ended June 30, 2013				
- Profit for the year after taxation	-	-	51,663,156	51,663,156
- Other Comprehensive income	-	3,156	-	3,156
	-	3,156	51,663,156	51,666,312
Revaluation surplus realized on account of:				
- Incremental Depreciation current year - net off Tax	-	-	3,639,651	3,639,651
- Disposal of property, plant & equipment- net off Tax	-	-	-	-
	-	-	3,639,651	3,639,651
Balance as at June 30, 2013	**212,678,000**	**11,920**	**(95,828,509)**	**116,861,411**

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

CHIEF EXECUTIVE **DIRECTOR**

1- **THE COMPANY AND ITS OPERATIONS**

The company is incorporated as a public limited company in Pakistan under the Companies Ordinance, 1984 and is listed on Karachi and Lahore Stock Exchanges. The Company is principally engaged in manufacturing, selling, buying and dealing in yarn of all types. The registered office of the company is situated at 19-B, Off Zafar Ali Road, Gulberg-V, Lahore.

2- **BASIS OF PREPARATION**

2.1 *Statement of Compliance*

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

2.2 *Basis of Measurement*

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land, building and plant & machinery and investments classified as available for sale which are stated at fair value.

2.3 *Standard, amendments to approved accounting standards and interpretations to approved accounting standards that are effective in the current year*

Following are the amendments that are applicable for accounting periods beginning on or after January 1, 2011, however, these amendments are not expected have significant impact on the financial statements;

a) IAS 1 (Amendments), 'Presentation of Financial Statements' is effective for annual periods beginning on or after January 1, 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

b) IAS 24 (Revised), 'Related Party Disclosures', is effective for annual periods beginning on or after January 1, 2011. The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control.

c) IAS 34 (Amendment), 'Interim financial reporting', is effective for annual periods beginning on or after January 1, 2011. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets.

d) IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement', is effective for annual periods beginning on or after January 1, 2011. IFRIC 14 provides further guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of minimum funding requirement as an asset.

e) IFRS 7 (Amendment), 'Financial Instruments: Disclosure', is effective for annual periods beginning on or after January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosure and the nature and extent of risks associated with financial instruments.

f) IFRS 7 (Amendment),' Financial Instruments: Disclosure', is effective for annual periods beginning on or after January 1, 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfer of financial assets, where financial assets are derecognized in their entirety, but where the entity has a continuing involvement in them (e.g. options or guarantees on the transferred assets) or where financial assets are not derecognized in their entirety.

g) IAS 32 (Amendment), 'Classification of rights issues', issued in October 2009. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

h) IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

2.4 *Standard, amendments to approved accounting standards and interpretations that are published and considered relevant but not yet effective*

Following new standards and amendments to existing standards have been published that are mandatory for accounting periods beginning on the dates mentioned below, however, these amendments are not expected have significant impact on the financial statements;

a) IFRS 9, 'Financial Instruments' (effective for the periods on or after January 1, 2015). This is the first standard issued as a part of a wider project to replace IAS 39, 'Financial Instruments: Recognition and measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets at (a) amortized cost and (b) fair value. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset.

b) IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for the periods beginning on or after July 1, 2012). The main change resulting from these amendments is a requirement for the entities to group items presented in "other comprehensive income" on the basis of whether they can be potentially reclassified to profit and loss subsequently (reclassification adjustments).

c) IAS 19 (Revised) 'Employee Benefits' (effective for the periods beginning on or after January 1, 2013). It eliminates the 'corridor method' for recognizing actuarial gains and losses and make it mandatory for all the actuarial gains and losses to be recognized immediately and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset.

d) IAS 12 (Amendments), 'Deferred tax on investment property (effective for annual period beginning on or after 1 January 2012). The amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property.

NOTES TO THE FINANCIAL STATEMENTS

e) IAS 32 (Amendments), 'Financial instruments: Presentation on offsetting Financial Assets and Financial Liabilities (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.

f) IFRS 7 (Amendments), 'Offsetting Financial Assets and Financial Liabilities (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.

g) Annual Improvements 2009-2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

i) IAS-1 "Presentation of Financial Statements".

ii) IAS-16 "Property, Plant and Equipment".

iii) IAS-32 "Financial Instruments: Presentation".

iv) IAS-34 "Interim Financial Reporting".

v) IFRS-9 "Financial Instruments".

vi) IFRS-10 "Consolidated financial information".

vii) IFRS-12 "Disclosure on interest in other entities".

viii) IFRS-13 "Fair value measurements".

xi) IAS-27 "Separate financial statements".

xii) IAS-27 "Associates and joint ventures".

2.5 *Standard, amendments to approved accounting standards and interpretations that are not yet effective and are not considered relevant*

There are other new accounting standards, amendments to approved accounting standards and interpretations that are mandatory for future years. However, these are not expected to affect materially the financial statements of the Company on the accounting dates prescribed therein.

2.6 *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Pakistan Rupee (Rs).

2.7 *Use of Estimate & Judgment*

The preparation of financial statements in conformity with International Accounting Standards, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Significant areas requiring the use of management estimates in the financial statements relates to provision for doubtful balances, provision for income taxes, useful life and residual values of property plant and equipment. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in next year.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 *Property, Plant and Equipment and Depreciation*

Property, plant & equipment is stated at cost or revalued amount less accumulated depreciation and impairment loss, if any, except for freehold land which is stated at revalued amount. Cost of these assets consists of historical cost and directly attributable cost of bringing the assets to working condition. Surplus arising on revaluation after considering deficit in other categories, is credited to surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any surplus on revaluation of fixed assets is credited to the surplus on revaluation Borrowing costs pertaining to the construction and erection are capitalized up to the date of completion. Depreciation on property, plant & equipment is charged to income on reducing balance method at the rates specified in note No. 4 to the accounts to write off the cost cover their estimated useful lives.

Depreciation on addition and deletion is charged on the basis of number of days the asset remains in use of the company. Assets' residual values, useful life and depreciation rates are reviewed and adjusted, if appropriate at each balance sheet date. Normal repair and maintenance is charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income / other charges" in profit and loss account.

The carrying amount of property, plant and equipment is reviewed at each balance sheet date to determined whether there is many indication of impairment. If any such indication exists then the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use an fair value less cost to sell. An impairment is recognized if the carrying amount exceed its estimated recoverable amount.

3.2 *Intangible Assets*

Intangible assets includes software which is initially recognized at cost. Cost comprises of purchase price and directly attributable expenditures.

After initial recognition intangible assets are carried at cost less accumulated amortization and if any, identified impairment loss. Amortization is charged on straight line method over a maximum period of five years. Amortization on addition and deletion is charged from the period when asset is put in use and up to the period of deletion.

3.3 *Inventories*

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Stores & Spares	At Weighted average cost.
Raw material	At Weighted average cost
Work in Process	At direct cost and appropriate portion of production overheads.
Finished Goods	At estimated manufacturing cost
Waste	Net realizable value

Net realizable value represents selling price in the ordinary course of business less selling expenses incidental to sales.

3.4 *Trade Debts*

Trade debts are recognized and carried at original invoice amount less an allowance for any uncollectible amount. An estimated provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

3.5 *Other Receivables*

Other receivables are recognized at nominal amount which is the fair value of the consideration to be received less an allowance for any uncollectible amounts.

3.6 *Employees' Retirement Benefits - Defined Benefit Plan*

The company operates an unfunded gratuity scheme covering all employees, payable on ceasing of employment subject to completion of minimum qualifying period of service. Obligations under the scheme are provided annually. Last actuarial valuation of defined benefits scheme was carried out as at June 30, 2008.

3.7 *Trade and other Payables*

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

3.8 *Taxation*

a) *Current*

Provision of current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

b) *Deferred Tax*

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination; and that affects neither accounting nor taxable profit or

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3.9 *Revenue Recognition*

Revenue comprises the fair value of the consideration received or receivable for that sale of goods in the ordinary course of the Company's activities.

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred or to be incurred, can be measured reliably and when specific criteria have been met for each of the Company's activities as described below:

a) *Sale of goods and conversion charges*

Sales revenue and conversion charges are recognized when the goods are dispatched and significant risks and rewards of ownership are transferred to the customer. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns and trade discounts.

b) *Income on bank deposits*

Interest income on bank deposits is accounted for on the time proportion basis using the applicable rate of return.

c) *Others*

Scrap sales and miscellaneous receipts are recognized on realized amounts. Dividend income from investments is recognized then the Company's rights to receive payments has been established.

3.10 *Borrowing Costs*

Mark-up, interest and other charges on borrowings which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs i.e. mark-up, interest and other charges are charged to the profit and loss account in the period in which they are incurred.

3.11 *Provisions*

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

3.12 *Cash and Cash Equivalent*

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand and deposits in banks that are readily convertible to known amounts of cash.

3.13 *Financial assets*

Financial assets represent investments in shares of listed companies and are classified as available for sale investments. These are initially recognized at cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to other comprehensive income until disposal at which time these are recycled to profit and loss account.

3.14 *Impairment*

a) *Financial Assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flow of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) *Non- Financial Assets*

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.15 *Financial Instruments*

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be. A financial asset is de-recognized when the company loses control of its contractual rights that comprise the financial asset. A financial liability is de-recognized when it is extinguished. Any gain or loss on de-recognition of the financial assets or liabilities is taken to profit and loss account currently. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

a) *Trade & Other Payables*

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

b) *Trade & Other Receivables*

Trade and other receivables are recognized and carried at original invoice amount / cost less an allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the reliability of these receivables, appropriate amount of provision is made.

c) *Off Setting Of Financial Assets and Financial Liabilities*

A financial asset and a financial liability is off set and the net amount is reported in the balance sheet if the company has a 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.

3.16 *Dividend & Appropriation to reserves*

Dividend distribution to the Company's shareholders and appropriation to reserves is recognized in the financial statements in the period in which these are approved.

3.17 *Earnings per share*

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.18 *Contingent Liabilities*

Contingent liability is disclosed when the Company has a possible obligation as a result of past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability.

3.19 *Segment Reporting*

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be single reportable segment.

3.20 *Foreign currency transactions*

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rates prevailing at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of the transaction. Exchange differences are included in profit and loss account for the year.

3.21 *Related party transactions*

All transactions between company and related party are accounted for at arm's length price in accordance with "Comparable Uncontrolled Price Method".

4 PROPERTY, PLANT AND EQUIPMENT

	Note	2013 Rupees	2012 Rupees
Tangible Operating Fixed Assets	4.1	441,907,898	386,347,248
Intangible Assets		-	97,453
		441,907,898	386,444,701

4.1 The following is a statement of property, plant & equipment:

	Land Freehold	Building on Freehold land	Plant and Machinery	Generating Set	Electric Installation	Tools and Equipment	Fire Fighting and Lab Equipment	Furniture and Fixture	Office Equipment	Computers	Air Conditioners	Vehicles	Weighing Scale	Arms and Ammunition	Telephone Installation	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
At June 30, 2011																
Cost	52,825,000	70,612,000	270,721,488	5,282,716	4,937,397	100,000	989,105	1,839,209	846,276	1,619,118	434,700	1,813,380	1,573,400	485,411	94,464	414,173,664
Accumulated Depreciation	-	3,576,546	13,889,357	3,750,349	814,674	42,534	465,005	1,214,780	458,658	1,202,028	236,937	930,215	1,021,170	164,373	59,791	27,826,417
Net Book Value	52,825,000	67,035,454	256,832,131	1,532,367	4,122,723	57,466	524,100	624,429	387,618	417,090	197,763	883,165	552,230	321,038	34,673	386,347,247
At July 01, 2011																
Cost	52,825,000	70,612,000	270,721,488	5,282,716	4,937,397	100,000	989,105	1,839,209	846,276	1,619,118	434,700	1,813,380	1,573,400	485,411	94,464	414,173,664
Accumulated Depreciation	-	3,576,546	13,889,357	3,750,349	814,674	42,534	465,005	1,214,780	458,658	1,202,028	236,937	930,215	1,021,170	164,373	59,791	27,826,417
Net Book Value	52,825,000	67,035,454	256,832,131	1,532,367	4,122,723	57,466	524,100	624,429	387,618	417,090	197,763	883,165	552,230	321,038	34,673	386,347,247
Year ended June 30, 2012																
Opening Net Book Value	52,825,000	67,035,454	256,832,131	1,532,367	4,122,723	57,466	524,100	624,429	387,618	417,090	197,763	883,165	552,230	321,038	34,673	386,347,247
Additions at cost	-	-	11,478,550	-	-	-	-	-	-	-	-	-	-	-	-	11,478,550
Disposal (refer note 4.1.2)																
Cost	-	-	2,172,000	-	-	-	-	-	-	-	-	-	-	-	-	2,172,000
Depreciation	-	-	(204,355)	-	-	-	-	-	-	-	-	-	-	-	-	(204,355)
Net Book Value	-	-	1,967,645	-	-	-	-	-	-	-	-	-	-	-	-	1,967,645
Depreciation charge for the year	-	3,351,773	12,916,870	76,618	206,136	2,873	26,205	31,221	19,381	41,709	9,888	88,317	27,612	16,052	1,734	16,818,389
Closing Net Book Value	52,825,000	63,683,681	253,422,166	1,455,749	3,916,587	54,593	497,895	593,208	368,237	375,381	187,875	794,848	524,618	304,986	32,939	379,837,763
At June 30, 2012																
Cost	52,825,000	70,612,000	280,028,038	5,282,716	4,937,397	100,000	989,105	1,839,209	846,276	1,619,118	434,700	1,813,380	1,573,400	485,411	94,464	423,478,214
Accumulated Depreciation	-	6,928,319	26,605,872	3,826,967	1,020,810	45,407	491,210	1,246,001	478,039	1,243,737	246,825	1,018,532	1,048,782	180,425	61,525	44,440,451
Net Book Value	52,825,000	63,683,681	253,422,166	1,455,749	3,916,587	54,593	497,895	593,208	368,237	375,381	187,875	794,848	524,618	304,986	32,939	379,837,763
At July 01, 2012																
Cost	52,825,000	70,612,000	280,028,038	5,282,716	4,937,397	100,000	989,105	1,839,209	846,276	1,619,118	434,700	1,813,380	1,573,400	485,411	94,464	423,478,214
Accumulated Depreciation	-	6,928,319	26,605,872	3,826,967	1,020,810	45,407	491,210	1,246,001	478,039	1,243,737	246,825	1,018,532	1,048,782	180,425	61,525	44,440,451
Net Book Value	52,825,000	63,683,681	253,422,166	1,455,750	3,916,587	54,593	497,895	593,208	368,237	375,381	187,875	794,848	524,618	304,986	32,939	379,837,764
Year ended June 30, 2013																
Opening Net Book Value	52,825,000	63,683,681	253,422,166	1,455,750	3,916,587	54,593	497,895	593,208	368,237	375,381	187,875	794,848	524,618	304,986	32,939	379,837,764
Revaluation Surplus	26,412,200	9,500,503	12,901,061													48,813,764
Additions at cost	-	-	28,959,310	-	-	-	-	-	-	671,350	-	1,669,711	-	-	-	31,300,371
Disposal (refer note 4.1.2)																
Cost	-	-	-	5,282,716	-	-	-	-	-	-	-	-	-	-	-	5,282,716
Depreciation	-	-	-	(3,847,694)	-	-	-	-	-	-	-	-	-	-	-	(3,847,694)
Net Book Value	-	-	-	1,435,022	-	-	-	-	-	-	-	-	-	-	-	1,435,022
Depreciation charge for the year	-	3,184,184	12,901,061	20,728	195,829	2,730	24,895	29,660	18,412	46,892	9,394	232,275	26,231	15,249	1,647	16,709,187
Closing Net Book Value	79,237,200	70,000,000	282,381,476	-	3,720,758	51,863	473,000	563,548	349,825	999,839	178,481	2,232,284	498,387	289,737	31,292	441,907,898
At June 30, 2013																
Cost	79,237,200	80,112,503	308,985,348	-	4,937,397	100,000	989,105	1,839,209	846,276	2,290,468	434,700	3,483,091	1,573,400	485,411	94,464	468,209,633
Accumulated Depreciation	-	10,112,503	39,504,933	-	1,216,639	48,137	516,105	1,275,661	496,451	1,290,629	256,219	1,250,807	1,075,013	195,674	63,172	27,301,343
Net Book Value	79,237,200	70,000,000	282,381,476	-	3,720,758	51,863	473,000	563,548	349,825	999,839	178,481	2,232,284	498,387	289,737	31,292	441,907,898
Annual Rate of Depreciation (%)	-	5	5	5	5	5	5	5	5	10	5	10	5	5	5	-

4.1.1 Depreciation for the year is allocated as under:

	2013 Rupees	2012 Rupees
Cost of Sales	16,355,658	16,610,087
Administration	353,529	208,302
	16,709,187	16,818,389

4.1.2 This represents loss on sale of generator costing Rs. 5.283 million with accumulated depreciation of Rs. 3.848 million resulting in written down value of Rs. 1.435 million. This generator was sold to Ch. Muhammad Jamil-Zaheer Electric CO. of G. T. Road, Lahore through negotiation. Sale proceeds amounted to Rs. 0.882 million. (refer Note 25.1)

4.1.3 Land, Building and Plant & Machinery of the company were last revalued by an independent valuer M/s Synergians Private Limited as at 30 June 2013. It includes surplus on revaluation of freehold land amounting to Rs. 48.813 million (2012: Rs. 48.284 million).

	Note	2013 Rupees	2012 Rupees
5- LONG TERM DEPOSITS			
SNGPL		11,100,000	11,100,000
Others		268,938	268,938
		11,368,938	11,368,938
6- STORES AND SPARES			
Stores & Spares		12,251,411	13,317,554
7- STOCK IN TRADE			
Raw material		103,929,033	25,264,902
Work in process		10,304,521	7,900,034
Finished		28,068,113	7,530,878
Waste		2,711,113	4,410,104
		145,012,780	45,105,918

7.1 Waste is valued at net realizable value.

7.2 Raw material includes stock held by third parties amounting to Rs. 3.492 million.

	Note	2013 Rupees	2012 Rupees
8- TRADE DEBTS - Unsecured			
Trade Debts		69,912,459	16,623,687
Less:			
Provision for Doubtful Debts		(646,324)	(646,324)
		69,266,135	15,977,363

8.1 Trade debtors other than those against which provision has been made are considered good by the management.

	Note	2013 Rupees	2012 Rupees
9- LOANS AND ADVANCES			
Advances to: (Unsecured but considered good)			
Suppliers		936,700	3,749,304
Staff		176,580	170,287
		1,113,281	3,919,591
10- TRADE DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES			
Other receivables- Unsecured		100,000	-
Letter of credit		2,443,486	-
Sales tax refundable		13,779,143	8,304,422
Advance income tax		3,670,204	1,518,383
Prepayments		798,764	548,128
Income tax refundable		2,418,220	1,137,400
		23,209,818	11,508,333
11- FINANCIAL ASSET			
Available for Sale Investment			
Allied Bank Limited		17,732	18,484
- 288 (2012: 262) fully paid ordinary shares of Rs. 10/- each			
12- CASH AND BANK BALANCES			
Cash in hand		879,099	113,982
Cash with banks:			
- In current accounts		7,014,010	15,997,897
		7,893,110	16,111,879
13- ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
21,267,800 (2012: 21,267,800) ordinary shares			
of Rs.10/- each fully paid in cash		212,678,000	212,678,000
14- CAPITAL RESERVE			
Un-realized gain on re-measurement of available for sale investments			
Opening balance - net off tax		8,764	7,672
Surplus on re-measurement of available			
for sale investments to fair value - net off tax	14.1	3,156	1,092
		11,920	8,764

14.1 This represents the unrealized gain on re-measurement of available for sale investments at fair value and is not available for distribution. This will be transferred to income statement on de-recognition of investment.

15- SURPLUS ON REVALUATION OF FIXED ASSETS

	2013 Rupees	2012 Rupees
Opening balance of revaluation surplus - net off tax	121,019,067	125,161,082
Add:		
Revaluation Surplus for the year	48,813,764	-
	169,832,831	125,161,082
Less:		
Surplus realized during the year on account of:		
- Incremental depreciation current year - net off tax	5,599,463	5,890,941
- Disposal - net off tax	-	481,390
- Related Deferred tax effect	(1,959,812)	(2,230,316)
	3,639,651	4,142,015
	166,193,180	121,019,067

15.1 Land, Building and Plant & Machinery of the company were last revalued by an independent valuer M/s Synergisers Private Limited as at 30 June 2013. It includes surplus on revaluation of freehold land amounting to Rs. 48.813 million (2012: Rs. 48.266 million).

15.2 Previously Free hold land , building and plant and machinery were revalued as on June 25, 2010 by an independent valuer, on the basis of current values / replacement cost less depreciation for the period of use.

16- LOAN FROM DIRECTORS AND SPONSORS - UNSECURED

These are composed of :

	Note	2013 Rupees	2012 Rupees
Interest free loan from directors and sponsors	16.2	199,437,447	199,437,447
Interest bearing loan from directors and sponsors	16.3	12,255,000	12,255,000
		211,692,447	211,692,447

16.1 The above loans are unsecured and are payable to directors and sponsors. These are repayable upon easing of the company's liquidity. There is no fix

16.2 As there is no fix repayment schedule or tenure for repayment of these liabilities, these loans have been stated at cost.

16.3 The loan carries markup @ 3 months kibor plus 2%.

17- DEFERRED LIABILITIES

repayment schedule or tenure for repayment of these liabilities.

	Note	2013 Rupees	2012 Rupees
Gratuity - Defined benefit plan	17.1	823,075	428,000
Deferred Taxation	17.2	47,616,038	20,815,239
		48,439,113	21,243,239

17.1 Gratuity - defined benefit plan

Movement in liability recognized in the balance sheet are as follows:

	2013 Rupees	2012 Rupees
Liability as at July 1	428,000	176,500
Charge to profit and loss account	2,132,875	527,100
	2,560,875	703,600
Payments during the year	(1,737,800)	(275,600)
Liability as at June 30	823,075	428,000

17.1.1 The closing liability represents the present obligation of the company. However, since the amount of gratuity is not material therefore, actuarial valuation has not

17.2 Deferred taxation

The liability for deferred taxation comprises of temporary differences in respect of:

	2013 Rupees	2012 Rupees
Taxable temporary differences in respect of:		
Revaluation surplus	45,055,494	39,174,759
Accelerated Tax depreciation	65,663,577	60,338,907
Re-measurement of investment available for sale	1,699	588
Deductible temporary differences in respect of:		
Staff retirement benefits	(288,076)	(149,800)
Unabsorbed losses and Credits	(53,512,215)	(70,386,248)
Minimum tax available for carry forward	(9,078,228)	(7,936,754)
Provisions for doubtful debts	(226,213)	(226,213)
Net liability as at June 30.	47,616,038	20,815,239

	Note	2013 Rupees	2012 Rupees
18- TRADE AND OTHER PAYABLES			
Creditors		104,325,385	36,327,404
Accrued liabilities		16,364,949	12,581,063
Advances from customers		2,227,990	1,200,501
Income tax deducted at source		957,646	70,962
Sales Tax Payable		138,477	-
Un-claimed dividend		75,200	75,200
Workers' profit participation fund	18.1	4,392,891	96,409
Workers' welfare fund		3,554,541	36,635
		132,037,079	50,388,174
18.1 Workers' profit participation fund			
Opening balance		96,409	4,244,610
Allocation for the year		4,296,482	96,409
		4,392,891	4,341,019
Payments made		-	(4,244,610)
Closing balance		4,392,891	96,409
19- ACCRUED MARKUP			
Long term loan from directors and sponsors		4,836,384	3,336,410
Short term loan from sponsors		5,039,807	1,790,879
		9,876,191	5,127,289
20- CONTINGENCIES AND COMMITMENTS			
19.1 There were no contingencies and commitments as at June 30, 2013.			
21- SALES - NET			
Sale of yarn - Local		463,376,028	190,475,285
Sale of yarn - Export		169,029,562	5,778,105
Sale of waste		41,411,983	32,022,015
		673,817,573	228,275,405
Yarn conversion charges		142,025,080	80,805,975
		815,842,653	309,081,380
Less: Commission		(8,361,631)	(1,229,554)
		807,481,022	307,851,826
22- COST OF SALES			
Raw material consumed	22.1	470,926,641	149,348,240
Salaries, wages and benefits	22.2	71,514,129	39,025,433
Packing material		13,293,587	7,062,377
Fuel and power		99,752,821	59,224,913
Repair and maintenance		2,766,848	1,158,525
Other manufacturing overheads		7,772,970	5,851,055
Rent, Rates & Taxes		1,035,079	-
Cotton cess duty		1,879,353	368,109
Store consumed		19,314,612	10,353,146
Insurance		1,434,033	1,364,779
Workers' Welfare Expenses		312,742	-
Miscellaneous expenses		26,964	22,649
Depreciation	4.1.1	16,355,658	16,610,087
		706,385,437	290,389,313
Opening stock of work in process		7,900,034	8,255,105
Closing stock of work in process		(10,304,521)	(7,900,034)
		(2,404,487)	355,071
Cost of goods manufactured		703,980,950	290,744,384
Opening stock of finished goods		7,530,878	5,959,077
Closing Stock of Finished Goods		(28,068,113)	(7,530,878)
		(20,537,235)	(1,571,801)
Opening stock of waste		4,410,104	3,065,697
Closing stock of waste		(2,711,113)	(4,410,104)
		1,698,991	(1,344,407)
		685,142,706	287,828,176

	Note	2013 Rupees	2012 Rupees
22.1 Raw Material Consumed			
Opening Raw Material		25,264,902	10,789,639
Add: Purchases		549,590,772	163,823,503
Less: closing stock		(103,929,033)	(25,264,902)
		470,926,641	149,348,240

22.2 Salaries, wages and other benefits include Rs. 2.56 million (2012: Rs. 0.411 million) in respect of staff retirement benefits.

23- DISTRIBUTION COSTS

	Note	2013 Rupees	2012 Rupees
Export expenses		3,741,472	22,539
Freight - Steamer		3,678,684	307,256
- Inland		1,565,010	358,180
		8,985,166	687,975

24- ADMINISTRATIVE EXPENSES

	Note	2013 Rupees	2012 Rupees
Establishment	24.1	10,451,400	5,118,430
Vehicle running and maintenance		1,544,429	852,161
Telephone		604,811	455,589
Traveling and conveyance		2,592,568	731,249
Printing and stationery		312,783	193,395
Entertainment		569,592	380,346
Fee and subscription		1,047,518	730,482
Repair & maintenance		1,583,087	198,140
Utilities		2,072,973	327,950
Auditors' remuneration	24.2	285,000	285,000
Postage		315,390	95,855
Rent, rate and taxes		110,394	109,284
Paper and periodicals		9,180	6,739
Legal and professional		917,116	1,865,500
Advertisement		53,960	39,650
Insurance		267,802	-
Staff Welfare		64,510	-
Depreciation	4.1.1	353,529	191,385
Amortization of intangible assets		-	97,453
		23,156,042	11,678,608

24.1 Establishment includes Rs. Nil (2012: Rs.0.116 million) in respect of staff retirement benefits.

	Note	2013 Rupees	2012 Rupees
24.2 Auditors' Remuneration			
Statutory audit fee		250,000	250,000
Review of compliance with code of corporate governance		10,000	10,000
Half yearly review		25,000	25,000
		285,000	285,000

25- OTHER OPERATING EXEPNSES

	Note	2013 Rupees	2012 Rupees
Loss on sale of fixed assets		572,953	1,821,093
Exchange loss		-	115,881
Workers' profit participation fund		4,296,482	96,409
Workers' welfare fund		1,632,663	36,635
		6,502,098	2,070,018

25.1 This represents loss on sale of generator costing Rs. 5.283 million with accumulated depreciation of Rs. 3.848 million resulting in written down value of Rs. 1.435 million. This generator was sold to Ch. Muhammad Jamil-Zaheer Electric CO. of G. T. Road, Lahore through negotiation. Sale proceeds amounted to Rs. 0.862 million. (refer Note.4)

26- OTHER OPERATING INCOME

	Note	2013 Rupees	2012 Rupees
Income non-financial assets			
- Excess/(Short) Realization	26.1	1,374,085	-
- Exchange Gain/(Loss)		108,860	-
- Balances written back		-	-
Income financial assets		-	-
- Dividend		1,856	430
		1,484,801	430

26.1 This represented gain on export realizations Rs. 1.374 million.

	2013 Rupees	2012 Rupees
27- FINANCE COST		
Markup on loan from directors and sponsors:		
- Long term	1,499,974	2,023,462
- Short term	3,248,928	1,790,879
Bank charges and commission	430,405	76,970
	5,179,307	3,891,311
28- TAXATION		
Current	1,141,474	2,040,159
Deferred	27,195,874	(3,009,882)
Prior	-	26,224
	28,337,348	(943,499)

28.1 The company's income tax assessments have been finalized up to and including tax year 2012.

28.2 The current tax provision represents the minimum tax on turnover for the year due under Section 113 of Income Tax Ordinance, 2001 since tax computation results in tax loss. Therefore reconciliation of tax charge for the year is not required.

29- BASIC EARNING / (LOSS) PER SHARE

There is no dilutive effect on the basic earning / (loss) per share of the company.

	2013	2012
Profit /(Loss) after taxation	51,663,156	2,622,750
Weighted average number of issued shares	21,267,800	21,267,800
Basic Earning / (Loss) per share	2.43	0.12

30- REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts during the year for remuneration including benefits is as follows:

	June 30, 2013			June 30, 2012		
	Chief Executive	Executive	Directors	Chief Executive	Executive	Directors
Managerial Remuneration including House Rent & Utility	2,538,500	1,617,860	2,538,500	1,746,000	-	2,542,000
	2,538,500	1,617,860	2,538,500	1,746,000	-	2,542,000
Number of persons	1	1	1	1	0	6

No meeting fee has been paid to any director of the company during the year (2012: Rs. Nil).

Fuel and maintenance charges of vehicles are reimbursed to Chief Executive and one director of the company for business use only.

31- TRANSACTION WITH RELATED PARTIES:

Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment (note 30) are as under:

i) The company purchased from associated undertaking material of aggregate sum of Rs. Nil (2012: Rs. Nil) during the year.
ii) Interest bearing loan provided by directors and sponsors Rs.Nil (June 30, 2012 Rs. Nil)
iii) Interest bearing short term loan repaid Rs.23.300 million and provided by sponsors Rs.24.900 million (June 30, 2012 Rs.23.300 million)
iv) Short term loan payable to sponsors Rs.24.900 million (June 30, 2012 Rs. 23.300 million)
v) Loan payable to directors and sponsors Rs.211.692 million (June 30, 2012 Rs. 211.692 million)
vi) Markup payable to directors and sponsors Rs. 9.876 million (June 30, 2012 Rs. 5.127 million)

31.1 All related party transactions are approved by the audit committee and the Board of directors of the Company. Directors' interest is limited to interest on these

NOTES TO THE FINANCIAL STATEMENTS

32- FINANCIAL RISK MANAGEMENT

32.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the 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.

	2013 Rupees	2012 Rupees
32.2 Financial instruments by category		
Financial Assets		
Long term deposits	**11,368,938**	11,368,938
Trade debts (net-off impairment)	**69,266,135**	15,977,363
Loans and Advances	**176,580**	170,287
Advance to Suppliers	**936,700**	-
Financial Asset	**17,732**	18,484
Cash and bank balances	**7,893,110**	16,111,879
Total	**89,659,196**	43,646,951
Financial Liabilities		
Loan from directors and sponsors	**211,692,447**	211,692,447
Gratuity - Defined benefit plan	**823,075**	428,000
Trade and other payables	**120,690,334**	48,908,467
Accrued mark-up	**9,876,191**	5,127,289
Short term loan from sponsors	**24,900,000**	23,300,000
Total	**367,982,048**	289,456,203

32.3 Fair Values

The carrying values of the financial assets and financial liabilities approximate their fair values except for Interest free sponsors' loans as disclosed in note. 16.2 to the financial statements. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If the transaction is not based on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts, discounted using the current market interest rate for a similar financial instrument, is used to approximate the fair value.

32.4 Financial Risk Factors

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

- Credit Risk
- Liquidity Risk
- Market Risk

32.4.1 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from long term security deposits, loans and advances, deposits, trade debts, other receivables, bank balances and investments.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the customer's financial position, past experience and other factors.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. One of the major customer account for Rs. 37.89 million of the trade debts carrying amount as at June 30, 2013 that has good track record with the Company.

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

Long term deposits	**11,368,938**	11,368,938
Trade debts	**69,266,135**	15,977,363
Loans and Advances	**176,580**	170,287
Advance to Suppliers	**936,700**	-
Financial Asset	**17,732**	18,484
Bank balances	**7,014,010**	15,997,897
Total	**88,780,096**	43,532,969

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. The company assesses the credit quality of the counter parties as satisfactory. Bank balances are held only with reputable banks with high quality credit ratings. Loans and advances are not exposed to any material credit risk. Geographically there is no concentration of credit risk. The maximum exposure to credit risk for trade debts at the reporting date are with customers within the country .

Detail of impairment of trade debts is given in Note.8. Based on past experience the management believes that no further impairment allowance is necessary as there are reasonable grounds to believe that the amounts will be recovered in short course of time.

32.4.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Prudent liquidity, risk management implies maintaining sufficient cash, marketable securities and the availability of adequate credit facilities. Furthermore, the directors and the sponsors have provided liquidity support to the Company in the form of short term and long term interest free and interest bearing loans.

Following is the contractual maturity analysis of financial liabilities:

	Up to One Year Rupees	Between 1 to 5 years Rupees
Non derivative financial liabilities		
Loan from directors and sponsors	-	211,692,447
Gratuity - Defined benefit plan	-	823,075
Trade and other payables	120,690,334	-
Accrued mark-up	9,876,191	-
Short term loan from sponsors	24,900,000	-
2013	155,466,526	212,515,522
Non derivative financial liabilities		
Loan from directors and sponsors	-	211,692,447
Gratuity - Defined benefit plan	-	428,000
Trade and other payables	48,908,467	-
Accrued mark-up	5,127,289	-
Short term loan from sponsors	23,300,000	-
2012	77,335,756	212,120,447

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

32.4.3 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.

a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The company analysis its interest rates exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into accounts various other financing options available. The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect the profit and loss account.

As at June 30, 2013, if interest rates on sponsors' loans had been 1% higher / lower the markup expenses would have been higher / lower by 0.388 million (2012: Rs. 0.261 million). The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and asset / liabilities of the Company.

b) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Equity price risk arises from available for sale equity securities held. The investment in available for sale equity securities is not material and company is not expose to significant price risk.

c) Currency risk

The company does not hold bank balances in foreign currencies nor any investment is denominated in currency other than the functional currency of the company. Therefore, the company is not expose to foreign currency risk.

33- **CAPITAL RISK MANAGEMENT**

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The company's objective when managing capital are to safe guard the company's ability to continue as a going concern and to maintain an optimum capital structure to reduce the cost of capital.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The company is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

	2013	2012
	Rupees	Rupees
34- CASH AND CASH EQUIVALENTS		
Cash and bank balances (Note 12)	7,893,110	16,111,879
35- PLANT CAPACITY AND ACTUAL PRODUCTION		
	Nos	Nos
Number of spindles installed	20208	20208
Number of spindles operated	18240	16368
	Kgs	Kgs
Actual production for the year (including converging for others)	5168137	2873567
	Kgs	Kgs
Production at normal capacity converted into 20/s count based on 3 shifts per day for 1080 shifts (2012-1080 shifts)	6496607	6109779
	Kgs	Kgs
Actual production converted into 20/s count based on 3 shifts per day for 1080 shifts (2012 -1080 shifts)	2737683	2474388

35.1 Due to operational losses, as result of electricity shutdown the production was below normal capacity.

	2013	2012
36- NUMBER OF EMPLOYEES		
	Nos	Nos
Number of employees at the year end	564	568

37- NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

There were no post balance sheet events that required adjustments or disclosures.

38- DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 30th, 2013 by the Board of Directors of the Company.

39- GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE **DIRECTOR**

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2013

FORM - 34
PATTERN OF HOLDING OF SHARES
HELD BY THE SHARE HOLDERS AS AT 30-06-2013

No. of Share Holders	Shareholdings From	Shareholdings To	Total Shares Held
116	1	100	
286	101	500	122,183
34	501	1000	24,765
30	1001	5000	87,652
10	5001	10000	86,989
3	10001	20000	36,400
3	20001	30000	75,775
1	30001	50000	90,000
2	50001	100000	162,025
2	150001	200000	318,368
3	200001	350000	986,114
2	350001	500000	854,700
2	500001	1000000	1,182,894
2	1000001	1250000	2,006,600
2	1250001	1500000	2,546,930
3	1500001	1750000	4,990,372
1	1750001	2000000	1,816,722
1	2000001	3000000	2,185,107
1	3000001	4000000	3,686,569
504			**21,267,800**

CATEGORIES OF SHAREHOLDERS

AS AT 30-06-2013

		SHARES HELD	PERCENTAGE %
1 **Directors, Chief Executive Their Spouse and minor Children**			
Mr. Salman Muhammad Aslam	- Chief Executive /Director	1,662,590	7.817
Mr. Muhammad Asim Sajjad	- Director	1,667,590	7.841
Mr. Aftab Anwer	- Director	500	0.002
Miss Batool Zahra	- Director	500	0.002
Mr. Muhammad Amjad	- Director	500	0.002
Mr. Mehr Allah Yar	- Director	500	0.002
Mr. Sultan Mehmood	- Director	500	0.002
TOTAL		3,332,680	15.670
2 **Executives**		-	-

CATEGORIES OF SHAREHOLDERS

AS AT 30-06-2013

3 **Associated Companies, undertakings and related parties.**		
Related Parties:		
Mrs. Seema Sajjad	2,185,107	10.274
Mr. Raza Muhammad Aslam	1,660,190	7.806
Mr. Sajjad Aslam	1,258,769	5.919
4 **NIT and ICP**	347,724	1.635
5 **Bank, DFIs, Non-Banking Financial Institutions**	579	0.003
6 **Insurance Companies**	-	0.000
7 **Modaraba and Mutual Funds**	500	0.002
8 **General Public**		
a) Local	11,710,951	55.064
b) Foreign	-	
9 **Other (to be specified)**		
Sargodha Spinning Mills Limited	344,900	1.622
Nazir Cotton Mills Limited	383,300	1.802
Tariq Industries Limited	2,100	0.010
Sargodha Jute Mills Limited	19,400	0.091
Shahzad Textile Mills Limited	21,500	0.101
Mehran Sugar Mills Ltd.	100	0.000
Grand Total	**21,267,800**	**100.000**

SHAREHOLDERS HOLDING MORE THAN 5% SHAREHOLDING

	SHARES HELD	PERCENTAGE
Mr. Shahzad Aslam	3,686,569	17.334
Mrs. Seema Sajjad	2,185,107	10.274
Mrs. Ayesha Rahim	1,816,722	8.542
Mr. Salman Muhammad Aslam	1,667,590	7.841
Mr. Muhammad Asim Sajjad	1,662,590	7.817
Mr. Raza Muhammad Aslam	1,660,190	7.806
Mr. Parvez Aslam	1,288,163	6.057
Mr. Sajjad Aslam	1,258,769	5.919

No trade in shares of the Company carried out by the Directors, CEO CFO, Company Secretary and their spouses and minor children.

FORM OF PROXY

Ledge Folio/CDC A/C No.	Shares Held

I/We ……………………………………………………………………………………………………
of……………………………………………………………………………………………………
appoint……………………………………………………………………………………………
of……………………………………………………………………………………………………
(or failing him)………………………………………………………………of… ………………..

being another member of the Company as my/our proxy to attend and vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held on Thursday 31st October, 2013 at 11:30 a.m. and at every adjournment thereof.

As witness my/our hand(s) this ……………………………………… Day of ………………..

Signed by the said

____

Witnesses:

1. Signature ………………………………..
   Name: ……………………………………..
   N.I.C. No……………………………………
   Address……………………………………...

2. Signature…………………………………..
   Name: …………………………….. …….
   N.I.C. No…………………………………..
   Address: …………………………………..

Notes:

1. A member entitled to attend and vote at this Meeting may appoint member as his/her proxy in accordance with the provisions of Article 52 of the Articles of Association of the Company. Proxies in order to be effective, must be received at 19 -B, Off. Zafar Ali Road, Gulberg-V, Lahore, the Registered Office of the Company not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

2. For CDC Accounts Holders/Corporate Entities in addition to the above the following requirements be met:
   i). Attested copies of NIC or the Passport of the Beneficial Owners and the proxy shall be provided with the proxy form.
   ii). In case of a Corporate Entity, the Board of Directors Resolution/Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.
   iii). The proxy shall produce his original CNIC or original Passport at the time of attending the meeting.