Company Information

Board of Directors

Mr. Muhammad Zahid
Chairman / Chief Executive

Mst.Huma Zahid
Mst. Shaista Balquees
Mst.Fauzia Shahani
Mr. Muhammad Amjad
Mr. Muhammad Nawaz
Mr. Muhammad Jamshaid

Bankers of the Company

Allied Bank Limited
Faysal Bank Limited
United Bank Limited
National Bank of Pakistan
The Bank of Punjab

Audit Committee

Mrs. Huma Zahid
(Chairman)
Mst. Shaista Bilqees
Mr. Muhammad Amjad

Auditors

Avais Hyder Liaquat Nauman
Chartered Accountants

Company Secretary/ Chief Financial Officer

Mr. Shahab-Ud-Din Khan

Registered Office

20, Bilal Road,
Civil Lines,
Faisalabad

Share Registrar

Consulting One (Private) Limited
478-D, Peoples Colony No. 1,
Faisalabad
Tel: + 92-41-8541165/8541965
Fax: + 92-41-8542765

Mills

28-KM, Sheikhupura Road,
Faisalabad

32-KM, Tandlianwala Road,
Faisalabad

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting (AGM) of the shareholders of ZAHIDJEE TEXTILE MILLS LIMITED ("the Company") will be held at 10:00 AM on Thursday, the 31st October, 2013 at head office of the Company, 20 Bilal Road, Civil Lines, Faisalabad to transact the following business:

ORDINARY BUSINESS:

1. To confirm minutes of the last meeting of shareholders.
2. To consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2013 together with the Directors and Auditors reports thereon;
3. To appoint auditors for the year 2013-2014 and to fix their remuneration. The retiring auditor M/S Avais Hyder Liaquat Nauman, Chartered Accountants being eligible offer themselves for reappointment.

SPECIAL BUSINESS:

4. To approve the issue of bonus shares in the proportion of 2 bonus shares for every 10 shares held i.e. 20%, as recommended by the Board of Directors for the year ended June 30, 2013.
5. To consider, if Deemed fit, to pass with or without modification the following Special Resolution to alter the capital clause of the Memorandum of Association and relevant Article of Articles of Association of the Company: -

   Resolved that the Authorised Capital of the Company be increased from Rs.600 Million to Rs. 1,350 Million by the creation of 75 Million new Ordinary Shares of Rs.10/- each and that the Clause V of the Memorandum of Association and Article 5 of the Articles of Association be Amended and read as follows:

   CLAUSE V OF MEMORANDUM OF ASSOCIATION

   The Capital of the Company is Rs. 1,350 Million divided into 135 Million Ordinary Shares of Rs. 10/- each with power to increase, reduce, consolidate or otherwise reorganise the share capital and to divide the shares of the Company into different classes in accordance with the provisions of the Companies Ordinance, 1984.

   ARTICLE 5 OF THE ARTICLES OF ASSOCIATION

   The Capital of the Company is Rs. 1,350 Million divided into 135 Million Ordinary Shares of Rs. 10/- each with power to increase, reduce, consolidate or otherwise reorganise the share capital and to divide the shares of the Company into different classes in accordance with the provisions of the Companies Ordinance, 1984.

6. To consider, if Deemed fit, to pass with or without modification the following Special Resolution:

   Resolved that consent and approval of the company be and is hereby accorded under section 208 of the companies ordinance, 1984 to invest in an existing associated company proposed to be converted into subsidiary Company namely "Image Fabrics (Private) Limited".

   Further Resolved that consent and approval of the company be and is hereby accorded for making equity investment upto Rs. 20 million (Rupees Twenty million) in the shares of M/S Image Fabrics (Private) Limited (an existing associated company proposed to be converted to subsidiary company) by subscribing 0.2 million (Two Lac) shares of the face value of Rs. 100/- each.

   Further Resolved that Mr. Muhammad Zahid, Chief Executive of the company be and is hereby authorized singly to sign, execute all documents pertaining to the investment in M/S Image Fabrics (Private) Limited (an existing associated company proposed to be converted to subsidiary company) and to undertake such investment as and when necessary. :

7. To transact any other ordinary business with the permission of the chair.

By order of the Board

Faisalabad
Dated: October 09, 2013

SHAHAB UD DIN KHAN
Company Secretary

NOTES

i. The share transfer books of the Company shall remain closed from October 24, 2013 to October 31, 2013 (both days inclusive). Transfers received in order at Company's registrar, M/S Consulting One (Private) Limited, 478-D, Peoples Colony No.1, Faisalabad up to close of business on October 23, 2013 will be considered in time.

ii. A Member entitled to attend and vote at the General Meeting of members is entitled to appoint a proxy to attend and vote on his / her behalf.

iii. The instrument appointing proxy and the power of attorney or other authority, under which it is signed or a notarially certified copy of the power of attorney must be deposited at the office of the share registrar of the company not less than 48 hours before the time of meeting.

iv. The CDC account holder will further have to follow the under mentioned guidelines:

A **For attending meetings:**

i. In case of individuals, the account holders or sub-account holders and / or the persons whose shares are in group accounts and their registration details are uploaded as per CDC regulations shell authenticate their identity by showing their original Computerized National Identity Cards (CNICs) or original passports at the time of attending meeting.

ii. In case of corporate entities, the Board of Directors resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earliest) at the time of meeting.

A **For appointing proxies:**

i. In case of individual, the account holders or sub-account holders and /or the persons whose share in group accounts and their registration detail are uploaded as per CDC regulations shall submit the proxy forms accordingly.

ii. The proxy shall witnessed by two persons whose name, addresses and CNIC numbers shall be mentioned on the form.

iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form,

iv. The proxy shall produce their original CNIC or original passport at the time of the meeting.

v. In case of corporate entities, the Board of Directors resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Members are requested to notify any change in their addresses immediately to the share registrar.

Statement under section 160(1)(b) of the companies ordinance 1984.

The present authorized capital of the company is Rs. 600 Million. The management intends to increases the authorized capital of the company from Rs. 600 Million to Rs. 1,350 Million with a view to have reasonable cushion for the purpose of issuance of Right shares.

The directors of the company, whether directly or indirectly, have no interest in the above increases in authorized capital of the company except to the extent of their shareholding in the company.

Statement under section 160(1)(b) of the companies ordinance 1984.

Zahidjee has an associated undertaking "Image fabric (Pvt.) Limited" heaving a paid up capital of Rs. 200/- which is associated due to common management. The company intends to make equity investment up to Rs. 20 million (Rupees twenty million) at face value from company's own funds to convert "Image fabric (Pvt.) Limited" into a wholly owned subsidiary company.

The management of the Company explored various options and avenues to enhance the profitability of the company in present circumstances. It has identified Garments and home textile industry has huge growth potential. This industry includes ladies, children woven and knitted fabrics, ready to wear garments and home textile. The management of the company considered the potential available therein.

It is the option of management that this industry could supplement additional strength to the company and an increase in payment to shareholders by way of dividend.

It is with this overview that management has proposed setting up of a trading house for the purpose, Owned by an existing associated company proposed to be converted to wholly owned subsidiary company.

DIRECTORS' REPORT TO THE MEMBERS

The directors of your company take pleasure in presenting their report together with the annual audited financial statements of the Company for the year ended June 30, 2013.

Operating Results

Operating results for the year under review are as under:

	2013 Rupees	2012 Rupees
Profit before taxation	**365,027,817**	62,878,791
Provision for taxation	**26,602,652**	52,586,900
Profit for the year	**338,425,165**	10,291,891
Earnings per share – Basic and diluted	**8.28**	0.25

Your company's sales recorded a rise from Rs. 3,792 million last year to Rs. 4,612 million in the year under review. Company earned net profit for the year Rs. 338.43 million as compared to net profit of Rs. 10.29 million last year. The year was very good for the Company. We purchased high grade cotton in time and at lowest best prices, which paid a major role in profits. Polyester was imported under DTRE which saved import duties.

BMR was undertaken in PC spinning unit during the current year and previous year which enabled us to produce knitting yarn in this unit. So we got quality premium in sales.

Inspite of increase in sales our financial cost reduced as compared to last year.

Bonus Shares

The Directors have recommended the issue of bonus shares in the proportion of 2 bonus shares for every 10 shares held i.e. 20% to all shareholders of the Company. Last year 20% bonus was recommended and distributed.

Proposed Appropriation of Profit

	2013 Rupees	2012 Rupees
20% bonus shares i.e.2 shares for every 10 shares 8,172,216 (2012: 6,810,180) Bonus Shares @ Rs. 10/- each	81,722,160	68,101,800

Board of Directors

No casual vacancy occurred during the year. The number of directors remained the same as per the last annual general meeting of the Company.

Board meetings

During the year under review Eight Board meetings were held. Attendance by each director is appended below:-

S.NO.	NAME OF DIRECTOR	NO. OF MEETINGS ATTENDED
1	Mr. Muhammad Zahid	8
2	Mst. Huma Zahid	7
3	Mst. Shaista Balquees	5
4	Mst. Fouzia Shahani	3
5	Mr. Muhammad Amjad	8
6	Mr. Muhammad Nawaz	6
7	Mr. Muhammad Jamshaid	8

Leave of absence was granted to the directors who could not attend the meetings.

Audit committee

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee, and the following Directors are the members of the Audit Committee:

Mrs. Huma Zahid	Chairman	Non-Executive Director
Mst. Shaista Balquees	Member	Non-Executive Director
Mr. Muhammad Amjad	Member	Non-Executive Director

The meetings of the Audit committee were held at least once every quarter prior to approval of interim and final results of the Company. The meeting was also attended by the CFO, Head of Internal Audit and External Auditors as and when it was required.

Corporate social responsibility

Your company understands its corporate responsibility towards the society and fulfils its obligations by providing support to under privileged members of the society. Special persons are regularly employed in the company.
Your company is providing healthy, safe and learning work environment to its employees and sends them to attend training courses, seminars, workshops and conferences.
The company has installed an environment friendly gas based power plant with a view to reduce power cost.

Code of Corporate Governance

The Directors of the Company are pleased to confirm that the company has made compliance of the provisions set out by the Securities and Exchange Commission of Pakistan through the listing regulations of the Stock Exchanges as prescribed in the Code of Corporate Governance and there is no material departure from the best practices as detailed in the listing regulations:

1 The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

2 Proper books of accounts of the company have been maintained.

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

4 International Accounting/Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements and there is no departure therefrom.

5 The system of internal control is sound and has been effectively implemented and monitored.

6 There is no significant doubt upon the company's ability to continue as a going concern.

7 Financial Highlights for the last six years are annexed.

Pattern of share holding

The pattern of shareholding as on June 30, 2013 is annexed.

Auditors

The external Auditors, M/s Avais Hyder Liaquat Nauman, Chartered Accountants, retire and offer themselves for their reappointment. The Audit Committee has also recommended the reappointment of M/S Avais Hyder Liaquat Nauman, Chartered Accountants, as external auditors for the year 2013 - 2014.

Future Outlook

Ongoing energy crises are a big challenge for the country and a main threat to its industry. Your Company already running gas engines as substitute, is also arranging HFO source for generation. Two gensets producing 1.5 MW have been installed till date of report.
Your Company has acquired 50 Acers land at M-3 Industrial City for expanding its operations. One spinning unit based on cotton will be installed by new equity / own funds. Other Spinning unit based on blended yarn and weaving unit of sulzer looms will be financed at 60:40. Power house for energy backup will also be installed.

Acknowledgments

The Directors of your Company would like to place on record their deep appreciation for the support of the customers, banks, financial institutions, regulators and shareholders during the year and hope that this cooperation and support will also continue in the future.

The Directors of your Company would also like to express their appreciation for the services, devotion, loyalty and efforts being continuously rendered by the executives, staff members and workers of the Company and hope that they will continue with these efforts in future also.

For and on behalf of
the Board

Dated: October 09, 2013
Faisalabad

MUHAMMAD ZAHID
Chief Executive Officer

FINANCIAL HIGHLIGHTS

	2013	2012	2011	2010	2009	2008
			(Rupees in Thousand)			
Net Assets Employed						
Fixed assets	1,945,242	1,834,405	1,030,361	1,104,596	1,176,571	1,268,947
Intangible assets	5,782	4,552	-	-	-	-
Investment in associate	-	-	-	20,400	113,460	141,595
Long term deposits	4,255	3,282	3,282	3,282	3,282	3,282
Current assets	2,321,387	1,359,089	1,538,835	1,370,026	1,426,672	1,592,131
Current liabilities	(1,916,868)	(1,172,185)	(1,347,127)	(1,500,751)	(1,741,750)	(1,683,592)
	404,519	186,905	191,708	(130,725)	(315,078)	(91,461)
Long term liabilities	(112,734)	(131,026)	(106,117)	(320,024)	(379,845)	(503,633)
Net Assets	2,247,064	1,898,117	1,119,234	677,529	598,389	818,730
Represented By						
Paid up capital	408,611	340,509	340,509	340,509	340,509	340,509
Reserves	1,085,367	786,903	723,033	266,783	190,227	417,624
Revaluation surplus	753,087	770,706	55,691	70,236	67,652	60,597
	2,247,064	1,898,117	1,119,234	677,529	598,389	818,730
Operating Results						
Sales	4,611,797	3,792,121	5,241,845	3,162,511	2,109,300	1,947,252
Gross profit	685,014	390,888	894,683	519,122	263,516	166,421
Operating profit	699,092	413,298	979,955	519,645	265,133	232,373
Profit / (loss) before taxation	365,028	62,879	437,172	71,482	(116,196)	(40,990)
Financial Ratios						
Gross profit %	14.85	10.31	17.07	16.41	12.49	8.55
Operating profit %	15.16	10.90	18.69	16.43	12.57	11.93
Profit/(loss) before taxation %	7.92	1.66	8.34	2.26	(5.51)	(2.11)
Earning / (Loss) per share (Rs.)	8.28	0.30	10.14	1.58	(3.41)	(1.48)
Current ratio	1.21	1.16	1.14	0.91	0.82	0.95
Fixed assets turnover (times)	2.37	2.07	5.09	2.86	1.79	1.53
Debt equity ratio	00:1	00:1	05:95	31:69	37:63	36:64
Book value per share (Rs.)	43.87	33.11	31.23	17.83	15.59	22.26
Plant capacity and production						
Spinning						
Spindles installed/worked (Nos)	42,192	42,192	42,192	42,192	42,192	42,192
Actual production converted into 20/s count (Kgs. In million)	13.78	11.50	15.22	14.74	13.73	14.92
Weaving						
Number of looms installed/worked(Nos)	280	280	280	280	280	280
Actual production converted into 60 picks (Square Meters)	31,920,341	28,748,245	29,349,365	29,228,474	29,973,024	33,422,745

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 (the Code) for the year ended June 30, 2013 prepared by the Board of Directors of Zahidjee Textile Mills Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges (the stock exchanges) where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub- Regulation (x) of Listing Regulation No. 35 of the Exchanges require the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As per clause (xi) of the Code, it is mandatory for all the directors of the company (excluding the directors who are exempt under the Code) to have certification under any director's training program. A minimum of one director is required to acquire the said certification every year from June 30, 2012 to June 30, 2016. No director of the company has acquired the said certification during the year.

Based on our review, with the exception of the matter described in the preceding paragraph, 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 as applicable to the company for the year ended June 30, 2013.

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Dated: October 09, 2013
FAISALABAD

Statement of compliance with the best practices of code of corporate governance for the year ended June 30, 2013

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

The Board had applied the principles contained in the CCG in the following manner:

1 The Company encourages representation of independent non-executive directors and directors representing minority interest on the Board of the Company. However, at present, the Board comprises of:

Category	**Names**
Executive Directors	Muhammad Zahid
Non-Executive Directors	Muhammad Amjad
	Muhammad Nawaz
	Muhammad Jamshaid
	Mst. Huma Zahid
	Mst. Shaista Balquees
	Fouzia shahani

The condition of class I (b) of the CCG in relation to independent director will be applicable after next election of Directors in March 31, 2015.

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 directors of the Company are registered tax payers and none of them has defaulted in payment of any loan to any banking company, development financial institution or a non-banking financial institution.

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

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

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

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

8 The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated. The Company secretary and CEO attended the meeting of the Board of Directors.

9 The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly appraised with the amendments in the corporate and other laws if any. Three out of seven directors are exempt from the directors’ training program and remaining directors shall take training in due course.

10 The Board has approved the appointment of CFO, Company Secretary and head of internal audit, including their remuneration and terms and conditions of employment, as recommended by the CEO was approved by the Board.

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

12 The financial statements of the Company were duly endorsed by 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 of three members of whom, all members are non executive directors including the Chairman of the Committee.

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 CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17 The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, all of whom are non-executive directors.

18 The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

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

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

21 The related party transactions have been placed before the Audit Committee and approved by the Board of Directors. The transactions were made on terms equivalent to those that prevail in arm’s length transactions.

22 The ‘closed period’, prior to the announcement of interim and final results, and business decisions, which may materially affect the market prices of Company’s shares was determined and intimated to directors, employees and the stock exchanges.

23 Material / Price sensitive information has been disseminated among all market participants at once through the stock exchanges.

24 We confirm that all other material principles contained in the CCG have been complied with.

For and on behalf of
Board of Directors

Faisalabad
Dated: October 9, 2013

MUHAMMAD ZAHID
Chief Executive Officer

AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

(b) in our opinion:

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

   ii. the expenditure incurred during the year was for the purpose of the company's business; and

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

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

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner: - Hamid Masood

Dated: October 09, 2013
Place: Faisalabad

ZAHIDJEE TEXTILE MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	3	1,945,242,447	1,834,404,983
Intangible assets	4	5,781,669	4,551,963
Long term security deposits		4,254,785	3,281,718
		1,955,278,901	1,842,238,664
CURRENT ASSETS			
Stores, spares and loose tools	5	117,870,495	143,723,416
Stock in trade	6	1,054,012,187	533,079,168
Trade debts	7	440,858,825	437,367,334
Loans and advances	8	126,704,235	142,453,442
Prepayments		255,388	313,167
Other receivables	9	19,714,330	20,522,580
Short term investment	10	34,914,460	34,914,460
Tax refunds due from Government - sales tax		51,928,726	38,735,638
Cash and bank balances	11	475,128,266	7,980,041
		2,321,386,912	1,359,089,246
CURRENT LIABILITIES			
Trade and other payables	12	363,933,949	268,335,092
Interest / mark up payable on short term borrowings		32,176,249	23,509,383
Short term borrowings	13	1,486,384,632	740,855,055
Current portion of long term financing		-	99,982,390
Provision for taxation - income tax	26	34,372,727	39,502,824
		1,916,867,557	1,172,184,744
		2,359,798,256	2,029,143,166
NON - CURRENT LIABILITY			
Deferred liability			
Deferred taxation	14	112,734,263	131,025,721
CONTINGENCIES AND COMMITMENTS	15	-	-
Net worth		2,247,063,993	1,898,117,445
Represented by :			
Share capital	16	408,610,840	340,509,040
Capital reserve			
Merger reserve		366,258,513	366,258,513
Revenue reserve			
Unappropriated profit		719,108,034	420,644,020
		1,493,977,387	1,127,411,573
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	17	753,086,606	770,705,872
		2,247,063,993	1,898,117,445

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ZAHIDJEE TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales	18	4,611,796,810	3,792,121,237
Cost of goods sold	19	3,926,783,141	3,401,233,292
Gross profit		685,013,669	390,887,945
Trading profit	20	2,628,024	1,492,435
Other operating income	21	11,450,234	20,917,872
		699,091,927	413,298,252
Distribution cost	22	100,258,159	78,096,364
Administrative expenses	23	74,394,988	44,861,366
Other operating expenses	24	40,345,588	98,125,219
Finance cost	25	119,065,375	129,336,512
		334,064,110	350,419,461
Profit before taxation		365,027,817	62,878,791
Provision for taxation	26	26,602,652	52,586,900
Profit for the year		338,425,165	10,291,891
Earnings per share - Basic and diluted	27	8.28	0.25

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

ZAHIDJEE TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
Profit for the year	338,425,165	10,291,891
Other comprehensive income for the year		
Items that may be subsequently reclassified to profit or loss :		
Fair value reserve on available for sale investments		
(Decrease) in fair value	-	(9,123,072)
Items that will not be subsequently reclassified to profit or loss :		
Incremental depreciation on revalued assets for the year	19,605,480	4,456,088
Surplus realised on disposal of property, plant and equipment	8,535,169	108,819
	28,140,649	4,564,907
Other items :		
Impairment loss transferred to profit and loss account	-	39,683,140
Decrease in fair value transferred to profit and loss account on disposal	-	53,497,895
	-	93,181,035
Total comprehensive income for the year	366,565,814	98,914,761

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

ZAHIDJEE TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	365,027,817	62,878,791
Adjustment for:		
Depreciation of property, plant and equipment	69,430,280	49,380,282
Amortisation of intangible assets	1,020,294	-
Provision for doubtful debts	18,000,000	-
Balances written back	-	(994,586)
Balances written off	3,243,275	15,148
Net loss / (gain) on disposal of property, plant and equipment	15,758,363	(12,188,225)
Dividend income	(4,045,708)	(3,034,281)
Loss on sale of short term investments	-	54,093,531
Impairment loss on short term investment	-	39,683,140
Finance cost	119,065,375	129,336,512
Operating cash flows before working capital changes	587,499,696	319,170,312
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	25,852,921	(36,071,391)
Stock in trade	(520,933,019)	115,983,886
Trade debts	(22,183,472)	(10,029,832)
Loans and advances	19,443,269	86,425,741
Prepayments	57,779	(143,944)
Other receivables	(1,743,044)	4,693,450
Tax refunds due from Government	(13,193,088)	(8,199,444)
Increase in current liabilities		
Trade and other payables	95,605,563	13,527,243
	(417,093,091)	166,185,709
Cash generated from operating activities	170,406,605	485,356,021
Finance cost paid	(110,398,509)	(140,085,883)
Income tax paid	(43,196,886)	(51,097,911)
Net cash generated from operating activities	16,811,210	294,172,227

	2013 Rupees	2012 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in:		
Property, plant and equipment	(203,922,703)	(64,875,834)
Intangible assets	(2,250,000)	(4,551,963)
Short term investments	-	6,494,569
Proceeds from disposal of:		
Property, plant and equipment	7,896,596	15,059,133
Long term security deposits	(973,067)	-
Dividend received	4,045,708	3,034,281
Net cash (used in) investing activities	(195,203,466)	(44,839,814)
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(99,982,390)	(166,172,135)
Increase / (decrease) in short term borrowings - net	745,529,577	(60,310,923)
Dividend paid	(6,706)	(29,368,420)
Net cash generated from / (used in) financing activities	645,540,481	(255,851,478)
Net increase / (decrease) in cash and cash equivalents (a+b+c)	467,148,225	(6,519,065)
Cash and cash equivalents at the beginning of the year	7,980,041	14,499,106
Cash and cash equivalents at the end of the year	475,128,266	7,980,041

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

ZAHIDJEE TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	CAPITAL RESERVES				REVENUE RESERVES			Total
		Fair value reserve	Merger reserve	Share of changes in equity of associate	Sub total	General reserve	Unappropriated profit	Sub total	
	Rupees								
Balance as at July 01, 2011	340,509,040	(84,057,963)	366,258,513	994,586	283,195,136	-	439,838,126	439,838,126	1,063,542,302
Transaction with owners									
Dividend for the year ended June 30, 2011 : Rs.1/- per share	-	-	-	-	-	-	(34,050,904)	(34,050,904)	(34,050,904)
Transferred to general reserve	-	-	-	-	-	300,000,000	(300,000,000)	-	-
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	10,291,891	10,291,891	10,291,891
Other comprehensive income									
Items that may be subsequently reclassified to profit or loss :									
Fair value reserve on available for sale investments									
(Decrease) in fair value	-	(9,123,072)	-	-	(9,123,072)	-	-	-	(9,123,072)
Items that will not be subsequently reclassified to profit or loss :									
Transferred to other income	-	-	-	(994,586)	(994,586)	-	-	-	(994,586)
Incremental depreciation on revalued assets for the year	-	-	-	-	-	-	4,456,088	4,456,088	4,456,088
Surplus reliased on disposal of property, plant and equipment	-	-	-	-	-	-	108,819	108,819	108,819
	-	-	-	(994,586)	(994,586)	-	4,564,907	4,564,907	3,570,321
Other items :									
Impairment loss transferred to profit and loss account	-	39,683,140	-	-	39,683,140	-	-	-	39,683,140
Decrease in fair value transferred to profit and loss account on disposal	-	53,497,895	-	-	53,497,895	-	-	-	53,497,895
	-	93,181,035	-	-	93,181,035	-	-	-	93,181,035
Balance as at June 30, 2012	340,509,040	-	366,258,513	-	366,258,513	300,000,000	120,644,020	420,644,020	1,127,411,573
Transaction with owners									
Bonus shares issued (one share for each five shares held)	68,101,800	-	-	-	-	-	(68,101,800)	(68,101,800)	-
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	338,425,165	338,425,165	338,425,165
Other comprehensive income									
Items that will not be subsequently reclassified to profit or loss :									
Incremental depreciation on revalued assets for the year	-	-	-	-	-	-	19,605,480	19,605,480	19,605,480
Surplus reliased on disposal of property, plant and equipment	-	-	-	-	-	-	8,535,169	8,535,169	8,535,169
	-	-	-	-	-	-	28,140,649	28,140,649	28,140,649
Balance as at June 30, 2013	408,610,840	-	366,258,513	-	366,258,513	300,000,000	419,108,034	719,108,034	1,493,977,387

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

ZAHIDJEE TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. GENERAL INFORMATION

1.1 Zahidjee Textile Mills Limited (the Company) is incorporated in Pakistan on July 17, 1990 as a public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at 20 Bilal Road, Civil Lines, Faisalabad. The Company is currently listed on Karachi and Lahore stock exchanges. The principal business of the Company is export of all kinds of value added fabrics and textile made-ups. The Company is also engaged in the business of manufacturing and sale of yarn. The weaving unit is located at Satyana, District Faisalabad and spinning units are located at Tehsil Jaranwala, District Faisalabad in the province of Punjab.

1.2 The Company's projects of balancing, modernization, replacement (BMR) and expansion of spinning and weaving units are under implementation.

1.3 Pursuant to scheme of arrangement approved by the Honorable Lahore High Court, Lahore, assets, liabilities and reserves of Zahidjee Fabrics Limited were merged with the assets, liabilities and reserves of Zahidjee Textile Mills Limited with effect from July 01, 2006.

1.4 The financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements for the accounting periods of the Company beginning on or after July 01, 2012 and therefore, have been applied in preparing these financial statements:

- IAS 1 “Presentation of Financial Statements”. The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the ‘statement of comprehensive income’ is renamed the ‘statement of profit or loss and other comprehensive income’ and the ‘income statement’ is renamed the ‘statement of profit or loss’ whose use is not mandatory. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The Company is continuing use of existing terminology. The presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit and loss, other comprehensive income and total comprehensive income.

- IFRS 7 “Financial Instruments Disclosures”. The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. These amendments do not have any material impact on the Company’s financial statements.

2.2.2 Standards, amendments to standards and interpretations becoming effective in current year but not relevant

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2012 but are considered not to be relevant to the Company’s operations and are, therefore, not disclosed in these financial statements.

2.2.3 Standards, amendments to standards and interpretations becoming effective in future periods

The following standards, amendments to standards and interpretations have been published and are mandatory for the accounting periods of the Company beginning on or after their respective effective dates:

- IFRS 7 (Amendments) “Financial Instruments Disclosures” on offsetting financial assets and financial liabilities. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments are effective for accounting periods of the Company beginning on or after July 01, 2013. The Company does not have any offsetting arrangements in place. The amendments will have no material impact on the disclosures.

- IFRS 9 “Financial Instruments”. IFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for the accounting periods beginning on or after July 01, 2015. IFRS 9 contains a number of transitional provisions.

- The standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt instruments must be measured at fair value through profit or loss. All equity investments within the scope of IAS 39 are to be measured in the statement of financial position at fair value, with the gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at fair value through other comprehensive income, with only dividend income generally recognised in profit or loss. The standard requires that changes in the fair value of a financial liability designated as at fair value through profit or loss attributable to changes in the credit risk of that liability, presented in other comprehensive income, unless the presentation of the effect of the change in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

  The IASB has issued exposure drafts to propose new category of debt instruments, more forward looking impairment model and new hedge accounting.

  It is not practicable to provide a reasonable estimate of impact until a final standard is issued and detailed review has been completed.

- A package of five standards on consolidation, Joint arrangements, associates and disclosures was issued comprising IFRS 10, 11, 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

  Subsequent to the issue of these standards, amendments to IFRS 10,11 and 12 were issued to clarify certain transitional guidance on the first time application of the standards. The standards are effective for accounting periods of the Company beginning on or after July 01, 2013.

  The impact of these standards is set out below:

  - IFRS 10 “Consolidated Financial Statements” replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. A more robust definition of control has been developed in IFRS 10 in order to capture unintentional weaknesses of the definition of control set out in the previous version of IAS 27. A new definition of control contains three elements: a) power ever an investee, b) exposure or rights to variable returns from its involvement with the investee and c) ability to use its power over the investee to affect the amount of the investor's returns. The standard adds application guidance to assist in assessing whether an investor controls an investee in complex scenarios. The application of the standard is not expected to have any material impact on the Company’s financial statements.

  - IFRS 11 “Joint Arrangements” replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

    IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties’ rights and obligations under the arrangements. Joint ventures have rights to the net assets of the arrangement. Equity method of accounting is used and proportionate consolidation is not allowed. Joint operators have rights to the assets and obligations of the arrangement. Each joint operator recognizes its share of the assets, liabilities, revenues and expenses. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

    The application of the standard is not expected to have any material impact on the Company’s financial statements.

  - IFRS 12 “Disclosures of interest in other entities”. This is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

    IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on their financial statements. The application of the standard may result in additional disclosures.

  - IAS 27 (as revised in 2011) separate financial statements. The revised standard sets out the requirements regarding separate financial statements only. Requirements of consolidated financial statements are covered in IFRS-10. The application of the standard is not expected to have any material impact on the Company’s financial statements.

  - IAS 28 (as Revised in 2011) “Associates and joint Ventures”. The revised standard deals with how to apply the equity method of accounting for investment in joint ventures, as well as associates, following the issue of IFRS 11 which requires investments in Joint ventures to be accounted for using the equity method of accounting. The application of the standard is not expected to have any material impact on the Company’s financial statements.

- IFRS 13 “Fair Value Measurement” establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value for financial reporting purposes, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of IFRS 13 may result in changes in how entities determine fair values for financial reporting purposes. IFRS 13 requires extensive disclosures about fair value measurements. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures are extended by IFRS 13 to cover all assets and liabilities within its scope. The standard is effective for accounting periods of the Company beginning on or after July 01, 2013. The application of the standard may result in more extensive disclosures in financial statements.

- IAS 32 (Amendment) “Financial Instruments: Presentation”. This amendment updates the application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment is effective for accounting periods of the Company beginning on or after July 01, 2014. The application of the amendment is not expected to have any material impact on the Company’s financial statements.

2.2.4 Standards, amendments to standards and interpretations becoming effective in future period but not relevant.

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company’s operations, therefore, not disclosed in these financial statements.

2.3 Basis of preparation

The financial statements have been prepared under the historical cost convention except: -

- Certain property, plant and equipment carried at valuation.
- Short term investments measured at fair value.

2.4 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost / valuation less accumulated depreciation and impairment in value, if any. Freehold land and capital work in progress are stated at valuation, cost less accumulated impairment in value, if any.

Depreciation is charged to income applying the reducing balance method at the rates specified in property, plant and equipment note 3.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition or capitalisation and upto the month preceding the disposal respectively.

When parts of an item of property, plant and equipment have different useful lives, they are recognised as a separate item of property, plant and equipment.

Normal repair and maintenance costs are charged to income during the period in which they are incurred. Major renewals and improvements are capitalised.

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

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

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent of reversal of deficit previously charged to income, in which case that portion of the surplus is recognised in income. Deficit on revaluation of an item of property, plant and equipment is charged to surplus on revaluation of that asset to the extent of surplus and any excess deficit is charged to income. On subsequent sale or retirement of revalued item of property, plant and equipment, the attributable balance of surplus is transferred to unappropriated profit through statement of comprehensive income. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit through statement of comprehensive income.

2.5 Intangible assets

These are stated at cost less accumulated amortisation and impairment in value, if any. Intangible assets are amortised over a period of five years using straight line method.

Amortization on additions during the year is charged from the month in which an asset is acquired or captalised.

All costs / expenditure connected with software implementation are collected in computer softwares under implementation. These are carried at cost less impairment in value, if any and are transferred to specific assets as and when assets are available for intended use.

2.6 Investments

Investments are initially recognised / derecognised on trade date at cost being the fair value of consideration given including cash transaction. Trade date is the date that the Company commits to purchase or sell the investment. After initial recognition these are recognised and accounted for as follows:

Available for sale investments

Investment securities intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently re-measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value are recognised in equity, through statement of comprehensive income, under fair value reserve until sold or otherwise disposed off at which time, the cumulative gain or loss previously recognised in equity is included in profit and loss account.

Derecognition

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

Gain / loss on sale of investments is taken to income in the period in which it arises.

2.7 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indications exist, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account, unless the relevant assets are carried at revalued amounts, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Where impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised recoverable amounts but limited to the carrying amounts that would have been determined had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant assets are carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.8 Borrowing costs

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

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

2.9 Stores, spares and loose tools

These are valued at moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred thereon.

2.10 Stock in trade

Stock in trade except wastes are valued at the lower of cost and net realisable value. Cost is determined as follows:

Raw material	Weighted average cost except items in transit which are valued at cost accumulated upto the balance sheet date.
Work in process	Average manufacturing cost.
Finished goods	Average manufacturing cost.

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sales. Average manufacturing cost represents cost of direct materials, labour and appropriate manufacturing overheads.

2.11 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified. Other receivables are carried at nominal amount which is the fair value of the consideration to be received in future.

2.12 Cash and cash equivalents

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

2.13 Trade and other payables

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

2.14 Provisions

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

2.15 Provision for taxation

Current taxation

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available under the law.

Deferred taxation

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

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

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

Deferred tax is charged or credited in the income statement, except in case of items charged or credited to equity in which case it is included in equity.

2.16 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

2.17 Foreign currency translation

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

2.18 Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

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

2.19 Offsetting of financial asset and financial liability

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

2.20 Derivative financial instruments

The Company uses derivative financial instruments such as interest rate swaps and cross currency swaps to hedge its risk associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

2.21 Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is recognised on time proportionate basis.

Dividend income from investments is recognised when the Company's right to receive payment has been established except dividend from associate accounted for using equity method which is recognised as a reduction of the carrying value of investment when the Company's right to receive payment has been established.

2.22 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

2.23 Critical accounting estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory and taxation. 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 the next year.

	Note	2013 Rupees	2012 Rupees
3. Property, plant and equipment			
Operating assets	3.1	1,803,479,859	1,803,962,839
Capital work in progress	3.5	129,762,588	30,442,144
Advance against purchase of land		12,000,000	-
		1,945,242,447	1,834,404,983

3.1 Operating assets

	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Office equipment	Electric appliances	Furniture and fittings	Vehicles	Total
	Rupees									
At July 01, 2011										
Cost \ valuation	91,927,063	574,298,379	991,101,658	63,171,367	4,849,346	7,939,265	1,524,800	4,125,583	29,014,713	1,767,952,174
Accumulated depreciation	-	(219,649,663)	(486,376,527)	(38,220,349)	(2,490,047)	(4,259,702)	(906,294)	(1,686,495)	(20,437,416)	(774,026,493)
Net book value	91,927,063	354,648,716	504,725,131	24,951,018	2,359,299	3,679,563	618,506	2,439,088	8,577,297	993,925,681
Year ended June 30, 2012										
Opening net book value	91,927,063	354,648,716	504,725,131	24,951,018	2,359,299	3,679,563	618,506	2,439,088	8,577,297	993,925,681
Additions	2,042,781	-	-	744,393	326,700	2,007,462	30,000	113,040	8,047,970	13,312,346
Transfer from capital work in progress	-	46,733,428	10,823,227	-	-	-	-	-	-	57,556,655
Revaluation surplus	431,962,706	15,771,093	343,685,548	-	-	-	-	-	-	791,419,347
Disposals:										
Cost \ valuation	(444,800)	(314,919)	(3,940,942)	(70,967)	-	(126,900)	-	-	(52,255)	(4,950,783)
Accumulated depreciation	-	233,675	1,698,044	38,697	-	79,678	-	-	29,781	2,079,875
	(444,800)	(81,244)	(2,242,898)	(32,270)	-	(47,222)	-	-	(22,474)	(2,870,908)
Depreciation charge	-	(17,931,512)	(25,365,154)	(2,540,690)	(252,558)	(488,305)	(63,101)	(251,530)	(2,487,432)	(49,380,282)
Closing net book value	525,487,750	399,140,481	831,625,854	23,122,451	2,433,441	5,151,498	585,405	2,300,598	14,115,361	1,803,962,839
At July 01, 2012										
Cost \ valuation	525,487,750	399,140,481	831,625,854	63,844,793	5,176,046	9,819,827	1,554,800	4,238,623	37,010,428	1,877,898,602
Accumulated depreciation	-	-	-	(40,722,342)	(2,742,605)	(4,668,329)	(969,395)	(1,938,025)	(22,895,067)	(73,935,763)
Net book value	525,487,750	399,140,481	831,625,854	23,122,451	2,433,441	5,151,498	585,405	2,300,598	14,115,361	1,803,962,839
Year ended June 30, 2013										
Opening net book value	525,487,750	399,140,481	831,625,854	23,122,451	2,433,441	5,151,498	585,405	2,300,598	14,115,361	1,803,962,839
Additions	-	-	80,177,885	539,820	286,284	922,918	517,100	297,932	9,860,320	92,602,259
Disposals:										
Cost \ valuation	-	-	(23,085,000)	-	-	-	-	-	(2,168,615)	(25,253,615)
Accumulated depreciation	-	-	133,594	-	-	-	-	-	1,465,062	1,598,656
	-	-	(22,951,406)	-	-	-	-	-	(703,553)	(23,654,959)
Depreciation charge	-	(19,957,024)	(42,449,895)	(2,325,741)	(249,752)	(571,753)	(67,154)	(255,133)	(3,553,828)	(69,430,280)
Closing net book value	525,487,750	379,183,457	846,402,438	21,336,530	2,469,973	5,502,663	1,035,351	2,343,397	19,718,300	1,803,479,859
At June 30, 2013										
Cost \ valuation	525,487,750	399,140,481	888,718,739	64,384,613	5,462,330	10,742,745	2,071,900	4,536,555	44,702,133	1,945,247,246
Accumulated depreciation	-	(19,957,024)	(42,316,301)	(43,048,083)	(2,992,357)	(5,240,082)	(1,036,549)	(2,193,158)	(24,983,833)	(141,767,387)
Net book value	525,487,750	379,183,457	846,402,438	21,336,530	2,469,973	5,502,663	1,035,351	2,343,397	19,718,300	1,803,479,859
Annual rate of depreciation (%)	-	5	5	10	10	10	10	10	20	

	Note	2013 Rupees	2012 Rupees

3.2 Depreciation for the year has been allocated as under:

	Note	2013 Rupees	2012 Rupees
Cost of goods sold	19.1	65,049,565	46,153,015
Administrative expenses	23	4,380,715	3,227,267
		69,430,280	49,380,282

3.3 Had there been no revaluation, the carrying values of freehold land, building on freehold land and plant and machinery at June 30, 2013 and 2012 would have been as follows:

	Carrying value 2013 Rupees	Carrying value 2012 Rupees
Freehold land	73,300,249	73,300,249
Building on freehold land	331,799,366	349,262,491
Plant and machinery	522,403,355	479,754,066
	927,502,970	902,316,806

3.4 Detail of disposal of property, plant and equipment

Description	Cost / Valuation	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
	------ Rupees ------				
Plant and machinery					
(Scrapped and written off)	5,985,000	62,344	5,922,656	-	
(Insurance claim)	17,100,000	71,250	17,028,750	7,076,167	UBL Insurers Limited
	23,085,000	133,594	22,951,406	7,076,167	
Vehicles					
(By negotiation)	586,825	526,455	60,370	50,000	Amir Sajjad, H-23, Street # 8, Chamanzar colony, Toba tek-Singh.
	566,600	73,763	492,837	540,000	Amir Mushtaq, P-10 Umar Block Muslim town # 1, Sargodha road, Faisalabad
	533,525	475,336	58,189	50,000	Amjad Khalil Goraya Road House No. 13 D Mohalla Civil Line, Faisalabad.
	411,190	382,460	28,730	116,429	Mr. Shafqat, B - 40, Street # 12, Razaabad, Faisalabad
	2,098,140	1,458,014	640,126	756,429	
(Insurance claim)	70,475	7,048	63,427	64,000	UBL Insurers Limited
	2,168,615	1,465,062	703,553	820,429	
2013	25,253,615	1,598,656	23,654,959	7,896,596	
2012	4,950,783	2,165,092	2,785,691	15,059,133	

3.5 Capital work in progress

	Civil work	Plant and machinery	Total
	----------Rupees----------		
Balance as at July 1, 2011	33,803,237	2,632,074	36,435,311
Additions	28,784,823	22,778,665	51,563,488
Transferred to operating assets	(46,733,428)	(10,823,227)	(57,556,655)
Balance as at June 30, 2012	15,854,632	14,587,512	30,442,144
Additions	97,205,169	2,115,275	99,320,444
Balance as at June 30, 2013	113,059,801	16,702,787	129,762,588

	Note	2013 Rupees	2012 Rupees
4. Intangible assets			
Computer software and license	4.1	5,781,669	4,551,963
4.1 Cost		6,801,963	4,551,963
Accumulated ammortization		(1,020,294)	-
Written down value		5,781,669	4,551,963

4.1.1 Reconciliation of written down value

	Note	2013 Rupees	2012 Rupees
Opening written down value		4,551,963	-
Additions		2,250,000	4,551,963
Amortisation for the year		(1,020,294)	-
Closing balance		5,781,669	4,551,963

5. Stores, spares and loose tools

	Note	2013 Rupees	2012 Rupees
Stores		58,754,191	80,108,437
Spares	5.1	58,631,838	63,235,524
Loose tools		484,466	379,455
		117,870,495	143,723,416

5.1 Spares include items that may result in fixed capital expenditure but are not distinguishable.

6. Stock in trade

	Note	2013 Rupees	2012 Rupees
Raw materials	6.1	855,561,265	438,847,231
Work in process		58,739,085	32,706,062
Finished goods	6.1	137,386,833	61,330,870
Waste		2,325,004	195,005
		1,054,012,187	533,079,168

6.1 Stock in trade amounting to Rs. 810.24/- million (2012: Rs. 315.71/- million) was pledged as security with the banking companies.

	Note	2013 Rupees	2012 Rupees
7. Trade debts			
Considered good			
Secured			
Foreign		93,864,826	110,400,970
Unsecured			
Foreign		79,882,677	102,465,178
Local		247,490,088	224,501,186
		327,372,765	326,966,364
Considered doubtful			
Unsecured			
Local		37,621,234	-
Less: Provision for doubtful debts	23	(18,000,000)	-
		19,621,234	-
		440,858,825	437,367,334

	Note	2013 Rupees	2012 Rupees
8. Loans and advances			
Considered good			
Advances			
Employees		547,738	616,178
Suppliers		56,423,989	74,119,368
For purchases and expenses		35,447,629	37,015,732
Income tax		34,201,093	30,507,031
Letters of credit fee and expenses		83,786	195,133
		126,704,235	142,453,442
9. Other receivables			
Considered good			
Export rebate / duty drawback		18,778,969	20,209,089
Other		935,361	313,491
		19,714,330	20,522,580
10. Short term investment			
Available for sale at fair value			
Quoted securities			
Habib Metropolitan Bank Limited			
2,022,854 (2012: 2,022,854)			
ordinary shares of Rs.10/- each		34,914,460	74,597,600
Less: impairment loss	10.1	-	(39,683,140)
		34,914,460	34,914,460

10.1 The fair value of the investment approximates its carrying value.

	Note	2013 Rupees	2012 Rupees
11. Cash and bank balances			
Cash in hand		736,899	1,053,817
Cash at banks			
In current accounts		33,333,640	5,589,047
In PLS accounts	11.1	441,057,727	1,337,177
		475,128,266	7,980,041

11.1 Effective profit rate in respect of PLS accounts was 6% per annum (2012 : 5% per annum).

	Note	2013 Rupees	2012 Rupees

12. Trade and other payables

	Note	2013 Rupees	2012 Rupees
Creditors		232,388,792	141,921,994
Accrued liabilities		59,017,545	67,552,828
Advance from customers		13,016,316	14,554,606
Payable to provident fund		1,714,607	1,246,327
Workers' profit participation fund	12.1	19,318,588	3,309,410
Workers' welfare fund		2,025,362	-
Unclaimed dividend		1,763,378	1,770,084
Withholding tax		2,020,283	5,115,767
Others	12.2	32,669,078	32,864,076
		363,933,949	268,335,092

12.1 Workers' profit participation fund

		2013 Rupees	2012 Rupees
Opening balance		3,309,410	26,284,601
Interest on funds utilised in the Company's business		210,750	2,020,386
		3,520,160	28,304,987
Paid to workers		(3,520,160)	(28,304,987)
		-	-
Allocation for the year		19,318,588	3,309,410
		19,318,588	3,309,410

12.2 It includes exchange loss of Rs. 22,967,873/- (2012: Rs. 22,967,873/-) and early termination charges of Rs. 8,630,367/- (2012: 8,630,367/-) on cross currency swap. The Company has filed a suit against these charges and the case is pending before the Honourable Lahore High Court.

13. Short term borrowings

	Note	2013 Rupees	2012 Rupees
Secured			
From banking companies			
Export finances	13.2	739,100,000	347,671,970
Running finance	13.2	78,538,824	-
Cash finances	13.3	654,677,556	213,245,630
Un-secured			
From directors and associates	13.4	14,068,252	179,937,455
		1,486,384,632	740,855,055

13.1 The aggregate unavailed short term borrowing facilities available to the Company are Rs. 1,123 million (2012 : Rs. 1,484.08 million).

13.2 These are secured against first joint parri passu charge and ranking charge over present and future current assets of the Company, lien on export documents and by personal guarantee of directors of the Company. These are subject to mark up at the rates of one month KIBOR plus 1.5% per annum, three months KIBOR plus 1% per annum and SBP rate plus1% per annum.

The effective rate of mark up charged during the year ranges from 8.41% to 11.41% per annum (2012: 11.00% to 14.65% per annum).

13.3 These are secured against pledge of cotton, polyester, yarn and grey cloth. These are further secured by personal guarantee of directors of the Company. These are subject to mark up at the rates of one month KIBOR plus 1.5% per annum and three months KIBOR plus 1% per annum.

The effective rate of mark up charged during the year ranges from 10.02% to 13.10% per annum (2012: 12.91% to 14.56% per annum).

13.4 These are interest free.

	2013 Rupees	2012 Rupees

14. Deferred taxation

Opening balance	131,025,721	46,117,335
(Reversal) of deferred tax related to:		
Incremental depreciation on revalued assets	(1,619,873)	(22,064)
Surplus realised on disposal of revalued assets	(3,720,885)	(903,494)
(Reversal) / provision of deferred tax on surplus	(5,180,625)	72,765,568
(Reversed) / provided during the year	(7,770,075)	13,068,376
	112,734,263	131,025,721

14.1 It represents the following:

Deferred tax liability:		
Difference between accounting and tax bases of assets	154,973,379	162,080,576
Deferred tax asset:		
Carry forward tax losses / tax credits	(42,239,116)	(31,054,855)
	112,734,263	131,025,721

15. CONTINGENCIES AND COMMITMENTS

Contingencies

Bank guarantees issued in favour of :		
Sui Northern Gas Pipelines Limited for supply of gas.	30,560,500	30,560,500
Faisalabad Electric Supply Company Limited for supply of electricity.	5,101,760	5,101,760
Indemnity bonds issued in favour of collector of customs / sales tax, Faisalabad to avail exemption of sales tax and custom duty on imported raw material / machinery.	137,804,924	137,804,924
Demand of social security contribution regarding prior years by Punjab Social Security Institute. Matter is pending in the Honourable Civil Court, Faisalabad.	1,576,800	318,723
Income tax demand not acknowledged due to pending appeal	69,939,555	-
Liability of workers' welfare fund not acknowledged. The Company is claiming exemption from this levy.	15,136,335	9,964,576

Commitments

Under letters of credit for:		
Raw material and spare parts	4,148,102	55,169,203
Plant and machinery	16,750,500	-
Under agreement for intangible asset	-	2,250,000

16. Share capital

16.1 Authorised capital

2012	2013		2013	2012
Number of shares			Rupees	Rupees
60,000,000	60,000,000	Ordinary shares of Rs. 10/- each.	600,000,000	600,000,000

16.2 Issued, subscribed and paid up capital

2012	2013		2013	2012
Number of shares			Rupees	Rupees
11,009,300	11,009,300	Ordinary shares of Rs. 10/- each fully paid in cash.	110,093,000	110,093,000
23,041,604	23,041,604	Ordinary shares of Rs.10/- each issued as fully paid shares as per scheme of arrangement for amalgamation sanctioned by the Court.	230,416,040	230,416,040
-	6,810,180	Ordinary shares of Rs.10/- each issued during the year as fully paid bonus shares.	68,101,800	-
34,050,904	40,861,084		408,610,840	340,509,040

17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2013	2012
Surplus on revaluation of property, plant and equipment at the beginning of the year	851,711,325	64,856,885
Surplus arisen on revaluation carried out during the year	-	791,419,347
	851,711,325	856,276,232
Transferred to unappropriated profit in respect of :		
Incremental depreciation	19,605,480	4,456,088
Surplus realised on disposal	8,535,169	108,819
	28,140,649	4,564,907
Surplus on revaluation of property, plant and equipment as at June 30,	823,570,676	851,711,325
Related deferred tax liability on:		
Revaluation at the beginning of the year	81,005,453	9,165,443
Deferred tax relating to:		
Incremental depreciation	(3,720,885)	(903,494)
Surplus realised on disposal	(1,619,873)	(22,064)
Deferred tax (reversed) / provided during the year	(5,180,625)	72,765,568
	70,484,070	81,005,453
	753,086,606	770,705,872

17.1 Latest revaluation of freehold land, building on freehold land and plant and machinery was carried out by independent valuers M/S Empire Enterprises Pakistan as at June 30, 2012. Freehold land was revalued on market value basis and building on freehold land and plant and machinery were revalued on depreciated replacement cost basis.

	Note	2013 Rupees	2012 Rupees
18. Sales			
Export			
Cloth / made ups		1,946,353,683	1,696,569,691
Yarn		24,659,679	30,427,419
		1,971,013,362	1,726,997,110
Local			
Yarn		2,404,650,744	1,766,430,125
Cloth		50,777,779	145,517,055
Waste and left over		126,883,942	157,714,124
Conversion receipts		82,341,194	25,810,139
		2,664,653,659	2,095,471,443
		4,635,667,021	3,822,468,553
Add: Export rebate / duty drawback		1,777,708	11,725,523
		4,637,444,729	3,834,194,076
Less: Commission and claims		25,647,919	42,072,839
		4,611,796,810	3,792,121,237

	Note	2013 Rupees	2012 Rupees
19. Cost of goods sold			
Cost of goods manufactured	19.1	4,004,969,103	2,967,271,756
Finished goods			
Opening stock		61,525,875	495,487,411
Closing stock		(139,711,837)	(61,525,875)
		(78,185,962)	433,961,536
		3,926,783,141	3,401,233,292

	Note	2013 Rupees	2012 Rupees
19.1 Cost of goods manufactured			
Raw material consumed	19.1.1	3,096,460,714	2,243,465,431
Packing material consumed		30,112,985	24,677,347
Salaries, wages and benefits		237,637,049	179,882,672
Retirement benefits		6,898,705	3,212,498
Stores and spares consumed		189,194,111	131,892,127
Fuel and power		348,088,201	265,427,635
Repairs and maintenance		47,604,098	40,580,851
Insurance		5,986,497	6,494,526
Depreciation	3.2	65,049,565	46,153,015
Other		3,970,201	4,501,821
		4,031,002,126	2,946,287,923
Work in process			
Opening stock		32,706,062	53,689,895
Closing stock		(58,739,085)	(32,706,062)
		(26,033,023)	20,983,833
		4,004,969,103	2,967,271,756

	Note	2013 Rupees	2012 Rupees
19.1.1 Raw material consumed			
Opening stock		438,847,231	99,885,748
Purchases including purchase expenses		3,513,174,748	2,582,426,914
		3,952,021,979	2,682,312,662
Closing stock		(855,561,265)	(438,847,231)
		3,096,460,714	2,243,465,431

20. Trading profit

Sale of polyester / cotton		44,826,320	93,185,120
Cost of sales		42,198,296	91,692,685
		2,628,024	1,492,435

21. Other operating income

Income from financial assets:			
Profit on deposits		4,278,861	206,770
Dividend		4,045,708	3,034,281
Income from assets other than financial assets:			
Scrap sales		3,125,665	3,470,020
Gain on disposal of property, plant and equipment		-	13,212,215
Balances written back		-	994,586
		11,450,234	20,917,872

22. Distribution cost

Ocean freight		57,049,475	51,535,826
Local freight		11,895,516	12,000,391
Clearing and forwarding		24,826,694	5,244,306
Export development surcharge		5,365,909	4,313,128
Insurance		926,129	717,984
Other		194,436	4,284,729
		100,258,159	78,096,364

23. Administrative expenses

Director's remuneration		600,000	600,000
Staff salaries and benefits		20,382,631	17,250,861
Retirement benefits		1,404,653	1,205,063
Postage and telecommunication		2,518,284	2,515,142
Vehicles running and maintenance		10,642,451	8,575,357
Travelling and conveyance		3,420,573	1,175,590
Printing and stationery		665,867	604,755
Electricity and gas		1,274,566	999,327
Fees, subscriptions and periodicals		1,510,963	1,538,307
Advertisement		65,150	36,000
Insurance		569,167	359,312
Auditor's remuneration	23.1	732,000	829,500
Legal and professional		427,710	722,614
Rent, rates and taxes		658,691	139,206
Entertainment		3,567,598	2,631,555
Provision for doubtful debts	7	18,000,000	-
Depreciation	3.2	4,380,715	3,227,267
Amortisation of intangible assets	4.1	1,020,294	-
Other		2,553,675	2,451,510
		74,394,988	44,861,366

	2013 Rupees	2012 Rupees

23.1 Auditor's remuneration

Audit fee	500,000	500,000
Sundry services	232,000	329,500
	732,000	829,500

24. Other operating expenses

Workers' profit participation fund	19,318,588	3,309,410
Workers' welfare fund	2,025,362	-
Loss on sale of short term investments	-	54,093,531
Impairment loss on short term investments	-	39,683,140
Loss on disposal of property, plant and equipment	15,758,363	1,023,990
Balances written off	3,243,275	15,148
	40,345,588	98,125,219

25. Finance cost

Interest / mark up on:		
Long term financing	-	17,573,482
Short term borrowings	116,369,682	105,221,858
Workers' profit participation fund	210,750	2,020,386
Bank charges and commission	2,484,943	4,520,786
	119,065,375	129,336,512

26. Provision for taxation

Current		
for the year	34,372,727	39,502,824
for prior year	-	15,700
Deferred	(7,770,075)	13,068,376
	26,602,652	52,586,900

26.1 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit has not been presented in these financial statements as the income from local sales excluding conversion receipts is subject to minimum tax under section 113 and income from export sales and conversion receipts is subject to final tax under section 153, 154 and 169 of the Income Tax Ordinance, 2001.

27. Earnings per share - Basic and diluted

	2013	2012
Profit for the year (Rupees)	338,425,165	10,291,891
Weighted average number of ordinary shares outstanding during the year	40,861,084	40,861,084
Earnings per share - Basic and diluted (Rupees)	8.28	0.25

27.1 There is no dilutive effect on basic earnings per share of the Company.

28. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2013		2012	
	Chief Executive Officer	Executives	Chief Executive Officer	Executives
	Rupees			
Remuneration	399,996	5,428,667	399,996	1,840,000
House rent allowance	180,000	2,442,900	180,000	828,000
Utilities allowance	20,004	271,433	20,004	92,000
	600,000	8,143,000	600,000	2,760,000
Number of persons	1	6	1	4

28.1 Chief Executive Officer is entitled to free use of the Company maintained vehicle. The monetary value of running and maintenance is Rs. 924,799/- (2012: Rs. 740,208/-). The Directors have waived off their meeting fee.

29. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings and key management personnel. Amounts due to related parties are shown under the relevant notes to the financial statements. Remuneration to Chief Executive Officer and Executives is disclosed in Note 28. There are no other significant transactions with related parties.

30. PLANT CAPACITY AND ACTUAL PRODUCTION

	2013	2012
Spinning		
Number of spindles installed	42,192	42,192
Number of spindles worked	42,192	42,192
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	15,700,624	15,700,624
Actual production of yarn after conversion into 20/s count (Kgs)	13,778,878	11,497,783
Weaving		
Number of looms installed	280	280
Number of looms worked	280	280
Number of shifts per day	3	3
Annual production capacity converted into 60 picks (Square Meters)	42,536,384	42,536,384
Actual production converted into 60 picks (Square Meters)	31,920,341	28,748,245

Reason for shortfall - Actual production is planned to meet the market demand.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through the mix of equity, debt and working capital management with a view to maintain an appropriate mix between various sources of finance to minimise risk. The overall risk management is carried out by the finance department under the oversight of Board of Directors in line with the policies approved by the Board.

31.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2013 Rupees	2012 Rupees
Financial assets at amortised cost:		
Long term deposits	4,254,785	3,281,718
Trade debts	440,858,825	437,367,334
Loans and advances	547,738	616,178
Other receivables	935,361	313,491
Short term investments	34,914,460	34,914,460
Cash and bank balances	475,128,266	7,980,041
	956,639,435	484,473,222
Financial liabilities at amortised cost:		
Long term financing	-	99,982,390
Trade and other payables	329,578,762	245,355,309
Interest / mark up payable	32,176,249	23,509,383
Short term borrowings	1,486,384,632	740,855,055
	1,848,139,643	1,109,702,137

31.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). Risks measured and managed by the Company are explained below:

31.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk at the reporting date is as follows:

	2013 Rupees	2012 Rupees
Long term deposits	4,254,785	3,281,718
Trade debts	440,858,825	437,367,334
Loans and advances	547,738	616,178
Other receivables	935,361	313,491
Bank balances	33,333,640	5,589,047
	479,930,349	447,167,768

Due to Company's long standing relations with counterparties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Company except trade debts considered doubtful.

For trade debts credit quality of the customer is assessed, taking into consideration its financial position and previous dealings. Individual credit limits are set. The management regularly monitor and review customers credit exposure. The aging of trade debts as at balance sheet date is as under:

	2013 Rupees	2012 Rupees
Not past due	367,542,970	369,200,411
Past due	73,315,855	68,166,923
	440,858,825	437,367,334

Appropriate provision has been made in respect of past due trade debts considered doubtful. The credit risk exposure is limited in respect of bank balances as these are placed with foreign and local banks having good credit rating from international and local credit rating agencies.

31.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to maintain sufficient level of liquidity of the Company on the basis of expected future cash flows.

	2013				
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**
	---------------------------------------Rupees in thousand-------------------------------------				
Financial liabilities:					
Trade and other payables	327,553	327,553	327,553	-	-
Interest / mark up payable	32,176	32,176	32,176	-	-
Short term borrowings	1,486,385	1,562,982	1,562,982	-	-
	1,846,114	1,922,711	1,922,711	-	-

	2012				
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**
	---------------------------------------Rupees in thousand-------------------------------------				
Financial liabilities:					
Long term financing	99,982	99,982	99,982	-	-
Trade and other payables	245,355	245,355	245,355	-	-
Interest / mark up payable	23,509	23,509	23,509	-	-
Short term borrowings	740,855	603,655	603,655	-	-
	1,109,701	972,501	972,501	-	-

The contractual cash flows relating to mark up have been determined on the basis of weighted average mark up rates on borrowings. The Company will manage the liquidity risk from its own source through working capital management. As at the year end, the Company has liquid assets of 952.38 million (2012: Rs. 540.29 million) and unavailed borrowing facilities of Rs. 1,123.00 million (2012: 1,484.08 million).

31.2.3 Market risk

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

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Majority of interest rate risk arises from borrowings from banks. The interest rate profile of the Company's interest bearing financial instruments is presented in relevant notes to the financial statements.

Sensitivity analysis

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period.

Fair value sensitivity analysis for fixed rate instruments.

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not effect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

Had the interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year would have been higher / lower by Rs. 11.14 million (2012: Rs. 7.41 million) and equity would have been lower / higher by Rs. 11.14 million (2012: Rs. 7.41 million).

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is exposed to currency risk on foreign debtors. The total foreign currency risk exposure on reporting date amounted to Rs. 173.75 million (2012: Rs. 212.87 million).

At June 30, 2013, had the currency been weakened / strengthened by 5% against the U.S dollar, with all other variables held constant, profit for the year and equity would have been higher / lower by Rs. 8.69 million (2012: Rs. 10.64 million).

iii) Equity price risk

Trading and investing in quoted equity securities give rise to equity price risk. At the balance sheet date the Company is exposed to equity price risk in respect short term investments. The total equity price risk exposure on reporting date amounted to Rs. 34.91 million (2012: Rs. 34.91 million).

At June 30, 2013, had the quoted securities prices been increased / decreased by 5%, with all other variables held constant, short term investments would have been higher / lower by Rs. 1.75 million (2012: Rs. 1.75 million).

31.3 Fair values of financial instruments

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

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.

31.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay financing from / to financial institutions.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total from banks borrowings. Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves' and net debt (net of cash and cash equivalent).

The salient information relating to capital risk management of the company as of June 30, 2013 and 2012 were as follows:

	Note	2013 Rupees	2012 Rupees
Total Debt	13	1,486,384,632	840,837,445
Less: Cash and bank balances		475,128,266	7,980,041
Net Debt		1,011,256,366	832,857,404
Total equity		1,508,045,639	1,407,331,418
Total capital		2,519,302,005	2,240,188,822
Gearing ratio		40.14%	37.18%

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 09, 2013 by the Board of Directors of the Company.

33. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on October 9, 2013 proposed bonus shares at the rate of one share for each five shares held (20%) subject to the approval of members at the forthcoming Annual General Meeting to be held on October 31, 2013.

34. Figures have been rounded off to the nearest Rupee except where mentioned rounding off in Rupees in thousands.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

PATTERN OF SHAREHOLDING
AS ON 30-06-2013

No. of Shareholders	Shareholding From	Shareholding To	Total Shares held
67	1	100	4,418
1186	101	500	308,394
1773	501	1000	1,073,605
126	1001	5000	246,340
10	5001	10000	67,939
5	10001	15000	61,900
1	15001	20000	17,000
2	20001	25000	49,000
1	25001	30000	30,000
1	30001	35000	30,500
1	35001	40000	36,000
2	55001	60000	117,776
1	60001	70000	61,080
4	235001	240000	958,200
1	12350001	123600000	12,360,000
1	25000001	25500000	25,438,932
			-
3182			**40,861,084**

Categories of Shareholders	Number of Shareholders	Total Shares held	Percentage
Chief Executive, Directors and their spouse and minor children	10	38,280,732	93.69
JOINT STOCK CO.,	2	1,800	0.00
Ind. / General Public	3,169	2,575,192	6.30
Bank / Financial Insti.	1	3,360	0.01
Total	**3,182**	**40,861,084**	**100.00**