Annual Report | for the year ended June 30, 2013

SARITOW SPINNING MILLS LIMITED

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. M. Naseem Saigol	Chief Executive
Mr. M. Azam Saigol	
Mr. M. Zeid Yousuf Saigol	
Mr. Muhammad Athar Rafiq	
Mr. Muhammad Omer Farooq	
Mr. Samir Iqbal Saigol	
Mr. Syed Haroon Rashid	NIT Nominee

AUDIT COMMITTEE

Mr. M. Naseem Saigol	Chairman/Member
Mr. Muhammad Omer Farooq	Member
Mr. Muhammad Athar Rafiq	Member

HR & REMUNERATION COMMITTEE

Mr. M. Zeid Yousuf Saigol	Chairman/Member
Mr. Samir Iqbal Saigol	Member
Mr. Muhammad Omer Farooq	Member

COMPANY SECRETARY
Mr. Anees-ur-Rehman

CHIEF FINANCIAL OFFICER
Mr. Muhammad Shamil, FCA

AUDITORS
Rahman Sarfraz Rahim Iqbal Rafiq
Chartered Accountants

BANKERS
Bank Alfalah Limited
Faysal Bank Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
NIB Bank LImited
The Bank of Punjab
Summit Bank Limited
Meezan Bank Limited
Habib Metropolitan Bank Limited

SHARES REGISTRAR
M/s. CORPLINK (PVT) LTD.
Wings Arcade, 1-K Commercial, Model Town, Lahore.
Tel: 042-35839182, 35887262, 35916719
Fax: 042-35869037

REGISTERED OFFICE
17-Aziz Avenue, Canal Bank,
Gulberg-V, Lahore.
Tel: 042-35717364-65, 35718274-75
Fax: 042-35715105
E-mail: shares@saigols.com

MILLS
51-KM, Multan Road,
Phool Nagar, District Kasur.

VISION

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

MISSION

To transform the Company into a modern and dynamic Yarn manufacturing Company and to provide quality products to customers and explore new markets to promote / expand sales of the Company through Good Governance and foster a sound and dynamic team, so as to achieve optimum profitability for the Company for sustainable and equitable growth and prosperity of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of Shareholders of **Saritow Spinning Mills Limited** will be held on Thursday, October 31, 2013 at 10:00 A.M.at17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore the Registered Office of the Company to transact the following business:-

1. To confirm the minutes of the last Annual General Meeting held on October 31, 2012.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 2013 alongwith Directors' and Auditors' Reports thereon.
3. To consider and, if thought fit, approve the cash dividend @ Re. 1/- Per share, i.e. 10% (Excluding Sponsor Shareholders)
4. To appoint Auditors of the Company to hold office till the conclusion of next Annual General Meeting and to fix their remuneration.
5. Any other business with the permission of the Chair.

By Order of the Board

Company Secretary

Lahore : October 10, 2013

Notes:

1. Share Transfer Books of the Company will remain closed from October 24, 2013 to October 30, 2013 (both days inclusive), for determining the entitlement of 10% Cash dividend. Physical transfers/CDS transactions ID's received in order at "Company Registrar office M/s Corplink (Pvt.) Limited", wings arcade, 1-K, Commercial Model Town, Lahore on October 23, 2013 will be treated in time for entitlement of 10% Cash Dividend.
2. A member entitled to attend and vote at this Meeting may appoint another Member as his/her proxy. Proxies in order to be effective, must be received at 17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore the Registered Office of the Company not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
3. Members whose shares are deposited with Central Depository System are requested to bring their original National Identity Cards or original Passports along with their Account Numbers in Central Depository System for attending the meeting.
4. Members are requested to notify the Company change in their addresses, if any.

FINANCIAL HIGHLIGHTS - *Six Years at a Glance*

Particulars	2013	2012	2011	2010	2009	2008
Operating Performance *(Rupees in Thousands)*						
Turnover - *Net*	2,188,429	2,010,918	2,038,317	716,581	472,088	450,274
Gross Profit	309,745	215,146	236,774	129,329	40,553	61,870
Profit/(Loss) before Tax	157,973	199,804	127,997	64,349	(26,966)	10,515
Profit/(Loss) after Tax	120,600	168,855	87,350	48,147	(26,000)	16,454
Financial Position *(Rupees in Thousands)*						
Share Capital	298,406	298,406	298,406	132,750	132,750	132,750
Shareholders' Equity	599,372	476,858	305,836	50,756	1,454	55,254
Operating Fixed Assets	1,074,622	1,006,093	1,033,163	356,894	338,680	291,668
Total Assets	1,597,519	1,419,166	1,705,884	726,086	690,405	633,558
Bank Borrowings	278,122	305,983	452,666	154,075	224,258	278,476
Ratio Analysis						
Profitability						
Gross Profit Margin - *% age*	14.15	10.71	11.62	18.05	8.59	13.74
Profit/(Loss) after Tax - *% age*	5.51	8.40	4.29	6.72	(5.51)	3.65
Earning/(Loss) Per Share - *Rupees*	4.04	5.66	2.93	3.63	(1.96)	1.24
Activity						
Sales to Operating Fixed Assets - *Times*	2.04	1.99	1.97	2.01	1.39	1.54
Liquidity						
Current Ratio - *Times*	1.37	1.06	0.96	0.79	0.69	0.90
Break up Value Per Share - *Rupees*	20.09	15.98	10.25	3.82	0.11	4.16

DIRECTORS' REPORT

The Directors of M/s Saritow Spinning Mills Limited are please to present Financial Results for the year ended June 30, 2013 along with director report thereon.

Financial High Lights	2013 ('000)	2012 ('000)
Net Sales	2,188.429	2,010.918
Gross Profit	309.745	215.147
Pre Tax Profit without Notional Income	180.456	84.607
Pre Tax Profit with Notional Income	157.973	199.805
After Tax Profit without Notional Income/(Expense)	143.083	53.658
After Tax Profit with Notional Income/(Expense)	120.600	168.855
Gross Profit Ratio to Sales	14.15%	10.70%
After Tax Profit Ratio to Sales without Notional Income/(Expense)	6.53%	2.66%
After Tax Profit Ratio to Sales with Notional Income/(Expense)	5.51%	8.40%

Operating Financial Results

During the year under review our Company was able to achieve turnover of Rs 2,188.429 million as compared to Rs 2,010.918 million during last year and was able to earn Gross Profit of 14.15% as compared to 10.70% during the same period last year.

The year under review was worst hit by energy crisis. Power supply from LESCO and Natural Gas supply from SNGPL remain totally suspended for 22 days during the month of December 2012 and January 2013 in addition to extreme load shedding of power supply by LESCO and Natural Gas by SNGPL round the year. Other then this the year 2012-13 was good for textile industry as a whole. It started on positive note, Raw Cotton was available at good competitive price and on the other hand yarn prices also remain stable, resulting in good profits for the year. Had the power supply remain stable during the period under review your company may have earned much better profits.

Future Outlook

The Federal Government have raised electricity tariff by almost 70 % and the Natural Gas prices have also gone up by 17.5% effective September 2013 which will affect the future profitability of the Company.

During last so many years our Company was unable to carried out major BMR to replace and upgrade the aging Plant and Machinery of our project. At the moment our company is primarily producing low yielding fine count yarn. In order to enter the high yielding course count market your company have planned to revamp whole back process along with winding section of Unit No.2 of the project. This BMR will cost approximately Rs. 502.00 Million. In order to finance this whole BMR the NIB Bank Limited have agreed to provide term finance facility of Rs. 350.000 Million and balance Rs. 152.000 Million will be financed from company's own cash flow.

It's been pleasure to inform you that Directors of your Company have decided to pay 10 % dividend to share holders of the company. But keeping in view huge burden on company's cash flow to finance project equity requirement of Rs. 152.000 Million for the proposed BMR, the directors and their spouse have opted not to receive the announced dividend.

Cash Flow Management

Board of directors places great importance for an effective cash flow management so as to ensure smooth running of the business. For this purpose cash inflows and outflows are projected on regular basis and verified periodically. Working capital requirements have been planned to be finance through internal cash generation and short term financing from external sources.

Corporate Social Responsibility (CSR)

Your company gives high priority to its social responsibilities and is committed to the highest standards of corporate behavior. The company's CSR responsibilities are fulfilled through monetary contributions in the areas of healthcare, education, environment protection, water and sanitation, child welfare, infrastructure development and other social welfare activities. Our CSR includes contributions to hospitals and education programs engaged in assisting the under privileged patients students and children's of various walks of life.

Health Safety and Environment

Your company is well aware of the importance of skilled workers and staff therefore the company is strongly committed towards all aspects of safety, health and environment connected with our business.

Statement in Compliance of the Code of Corporate Governance

- The Financial Statements, prepared by the management, present a true and fair state of affairs of the company, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no outstanding statutory payments on account of duties, levies and charges.
- Significant deviation from last year in operating results of the Company and reasons thereof have been explained.
- The Key Operating and Financial Data of last six years is attached to the Report.
- There are no significant plans for corporate restructuring and discontinuation of operations except for improvement in the normal business activities to increase the business.
- Four Meetings of the Board of Directors of the Company were held during the year under review. Following was the attendance of the Directors: -

Name of Directors	No. of Meetings Attended
Mr. M. Naseem Saigol	1
Mr. M. Azam Saigol	2 (appointed on 10-10-2012)
Mr. Samir Iqbal Saigol	4
Mr. M. Zeid Yousuf Saigol	1
Syed Haroon Rashid	4
Mr. M. Omer Farooq	3
Mr. M. Athar Rafiq	4
Mr. Rana Assad Iqbal	1 (resigned on 10-10-2012)

- Four Meetings of the Audit Committee were held during the year under review. Following was the attendance of the Members: -

Name of Members	No. of Meetings Attended
Mr. M. Naseem Saigol	4
Mr. M. Omer Farooq	2
Mr. M. Athar Rafiq	4

- One Meeting of HR & Remuneration Committee was held during the year under review. Following was the attendance of the Members: -

Name of Members	No. of Meetings Attended
Mr. M. Zeid Yousuf Saigol	1
Mr. Samir Iqbal Saigol	1
Mr. M. Omer Farooq	1

During the period under review no Director, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children sell, buy or take any position in the shares of the Company.

Pattern of Shareholding

A statement showing pattern of shareholding as on June 30, 2013 is annexed.

Acknowledgment

The Directors of your company take this opportunity to thank the entire stakeholders for their continued support. Your directors also placed on record their appreciation for the contribution made by the employees at all levels.

For and on behalf of the Board

Lahore : October 09, 2013

CHIEF EXECUTIVE

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the code of Corporate Governance contained in regulation No. 37, 43 & 36 of listing regulations of Karachi, Lahore & Islamabad Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best of practices of corporate governance.

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

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

Category	**Names**
Independent Directors	N/A
Executive Directors	Mr. Samir Iqbal Saigol
	Mr. M. Azam Saigol
Non-Executive Directors	Mr. M. Naseem Saigol
	Mr. M. Zeid Yousuf Saigol
	Mr. Muhammad Athar Rafiq
	Mr. Muhammad Omer Farooq
	Mr. Syed Haroon Rashid

   The independent directors meeting the criteria of independence under clause I (b) of the CCG will be appointed in the election of directors due on March 24, 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 resident directors of the Company are registered as taxpayers and none of them has defaulted in the payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the board on October 10, 2012 was filled up by the directors on the same day.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board arranged one training program for its director during the year.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Director's report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. Financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises of three members, of whom three 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 an HR and remuneration committee. Its comprises three members, of whom two are none executive directors including the chairman of the committee.
18. The board has set up an effective internal audit function 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 ICAP, that they or any of the partner of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regards.
21. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Lahore : October 09, 2013

CHIEF EXECUTIVE

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of SARITOW SPINNING MILLS LIMITED ("the Company") to comply with the listing regulation No. 35 of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed.

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

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

There were no related party transactions falling within the ambit of the Sub-Regulation (x) of the Listing Regulation 35 of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed other than loan from directors and their family members and rental income.

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

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: ***ZUBAIR IRFAN MALIK***

Date: ***OCTOBER 09, 2013***
Place: ***LAHORE***

AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

b) in our opinion-

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts 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 profit or loss and other 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, other comprehensive income, its cash flows and changes in equity for the year then ended; and

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

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: ***ZUBAIR IRFAN MALIK***

Date: ***OCTOBER 09, 2013***
Place: ***LAHORE***

BALANCE SHEET
as at June 30, 2013

	Note	**2013** *Rupees*	**2012** *Rupees*
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
35,000,000 (2012: 35,000,000) ordinary shares of Rs. 10 each		**350,000,000**	350,000,000
Issued, subscribed and paid-up capital	*6*	**298,406,070**	298,406,070
Accumulated profit		**300,966,595**	178,451,690
TOTAL EQUITY		**599,372,665**	476,857,760
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	*7*	**76,515,348**	78,429,877
LOAN FROM DIRECTORS AND FAMILY MEMBERS - UNSECURED, SUBORDINATE	*8*	**173,170,520**	150,687,887
NON-CURRENT LIABILITIES			
Long term finances -*Secured*	*9*	**57,091,395**	85,506,419
Liabilities against assets subject to finance lease *Secured*	*10*	**61,764,706**	-
Long term deposits -*Unsecured*	*11*	**8,000,000**	8,000,000
Employees retirement benefits	*12*	**29,399,306**	29,439,575
Deferred taxation	*13*	**223,050,095**	216,826,262
		379,305,502	339,772,256
CURRENT LIABILITIES			
Trade and other payables	*14*	**174,702,605**	134,524,355
Accrued interest/mark-up		**16,353,300**	15,625,522
Short term borrowings -*Secured*	*15*	**110,722,646**	154,742,636
Current portion of non-current liabilities	*16*	**48,543,523**	65,734,556
Current tax liability	*17*	**18,833,829**	2,791,355
		369,155,903	373,418,424
TOTAL LIABILITIES		**748,461,405**	713,190,680
CONTINGENCIES AND COMMITMENTS	*18*	**-**	-
		1,597,519,938	1,419,166,204

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date: October 09, 2013

CHIEF EXECUTIVE

	Note	2013	2012
		Rupees	*Rupees*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*19*	**1,074,622,209**	1,006,093,165
Long term deposits -*Unsecured, considered good*	*20*	**15,989,766**	14,373,910
		1,090,611,975	1,020,467,075
CURRENT ASSETS			
Stores, spares and loose tools	*21*	**19,459,940**	13,330,454
Stock in trade	*22*	**369,678,225**	280,650,629
Trade receivables - *Unsecured, considered good*		**22,256,811**	33,750,748
Advances, prepayments and other receivables	*23*	**74,869,488**	54,711,630
Cash and bank balances	*24*	**20,643,499**	16,255,668
		506,907,963	398,699,129
TOTAL ASSETS			
		1,597,519,938	1,419,166,204

DIRECTOR

PROFIT AND LOSS ACCOUNT
for the year ended June 30, 2013

	Note	2013 *Rupees*	2012 *Rupees*
Turnover - ***net***	*25*	**2,188,428,877**	2,010,918,031
Cost of sales	*26*	**1,878,683,517**	1,795,771,458
Gross profit		**309,745,360**	215,146,573
Selling and distribution expenses	*27*	**4,058,959**	5,001,155
Administrative and general expenses	*28*	**54,933,687**	50,164,067
		58,992,646	55,165,222
Other income -*net*	*29*	**950,707**	1,150,957
Operating profit		**251,703,421**	161,132,308
Finance cost	*30*	**58,211,209**	70,182,498
Other charges	*31*	**13,036,661**	6,341,961
		71,247,870	76,524,459
Notional interest (expense)/income	*8.2*	**(22,482,633)**	115,197,079
Profit before taxation		**157,972,918**	199,804,928
Taxation	*32*	**37,372,542**	30,949,944
Profit after taxation		**120,600,376**	168,854,984
Earnings per share - ***basic and diluted***	*33*	**4.04**	5.66

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date: October 09, 2013

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended June 30, 2013

	Note	2013	2012)
		Rupees	*Rupees*
Items that may be reclassified subsequently to profit or loss		**-**	-
Items that will not be reclassified to profit or loss			
Incremental depreciation	*7*	**2,945,430**	3,332,287
Other comprehensive income before taxation		**2,945,430**	3,332,287
Taxation	*7*	**(1,030,901)**	(1,166,300)
Other comprehensive income after taxation		**1,914,529**	2,165,987
Profit for the year		**120,600,376**	168,854,984
Total comprehensive income		**122,514,905**	171,020,971

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date: October 09, 2013

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT
for the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	34	**227,489,635**	263,965,705
Payments for:			
Employees retirement benefits		**(7,773,753)**	(6,603,470)
Interest/markup		**(53,914,608)**	(76,077,966)
Income tax		**(15,106,235)**	(15,147,983)
Net cash generated from operating activities		**150,695,039**	166,136,286
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(54,985,113)**	(22,758,090)
Proceeds from disposal of property, plant and equipment		**7,705,131**	757,485
Deposits against ijarah financing		**(1,615,856)**	-
Net cash used in investing activities		**(48,895,838)**	(22,000,605)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finances		**(53,841,351)**	(38,193,169)
Net decrease in short term borrowings		**(44,019,990)**	(108,489,209)
Net cash used in financing activities		**(97,861,341)**	(146,682,378)
Net increase/(decrease) in cash and cash equivalents		**3,937,860**	(2,546,697)
Cash and cash equivalents at the beginning of the year		**16,255,668**	17,983,261
Exchange gain on cash and cash equivalents		**449,971**	819,104
Cash and cash equivalents at the end of the year	35	**20,643,499**	16,255,668

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date: October 09, 2013

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
for the year ended June 30, 2013

	Issued subscribed and paid-up capital	Issuance of share capital in process	Accumulated profit	Total equity
	Rupees	*Rupees*	*Rupees*	*Rupees*
Balance as at July 01, 2011	132,750,000	165,656,070	7,430,719	305,836,789
Comprehensive income				
Profit after taxation	-	-	168,854,984	168,854,984
Other comprehensive income	-	-	2,165,987	2,165,987
Total comprehensive income	-	-	171,020,971	171,020,971
Transaction with owners				
Issue of ordinary shares	165,656,070	(165,656,070)	-	-
Balance as at June 30, 2012	298,406,070	-	178,451,690	476,857,760
Comprehensive income				
Profit after taxation	**-**	**-**	**120,600,376**	**120,600,376**
Other comprehensive income	**-**	**-**	**1,914,529**	**1,914,529**
Total comprehensive income	**-**	**-**	**122,514,905**	**122,514,905**
Transaction with owners	**-**	**-**	**-**	**-**
Balance as at June 30, 2013	**298,406,070**	**-**	**300,966,595**	**599,372,665**

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date: October 09, 2013

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS
for the year ended June 30, 2013

1 REPORTING ENTITY

Saritow Spinning Mills Limited ('the Company') is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at 17-Aziz Avenue, Canal Bank Gulberg-V, Lahore. The manufacturing facility is located at Bhai Pheru, District Kasur in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value/amortized cost, benefits payable under defined benefit plan at present value and certain items of property, plant and equipment at revalued amounts. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgements made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.3.1 ***Depreciation method, rates and useful lives of property and equipment***

The Company reassesses useful lives, depreciation method and rates for each item of property and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.3.2 ***Recoverable amount and impairment***

The management of the Company reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.3.3 ***Obligation under defined benefit plan***

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

2.3.4 ***Taxation***

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

2.3.5 ***Provisions***

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.3.6 ***Revaluation of property, plan and equipment***

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

2.4 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Property, plant and equipment

3.1.1 Operating fixed assets

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at cost less accumulated impairment losses and buildings on freehold land and plant and machinery stated at revalued amount less accumulated depreciation. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 19 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

3.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

3.2 Surplus / deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is carried on balance sheet after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously carried on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit every year, through statement of other comprehensive income.

3.3 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Stores held exclusively for capitalization are recognized as capital work in progress.

3.4 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

3.5 Employee benefits

Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss. The amount recognized on balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains or losses. Actuarial gains or loss are recognized using '10% corridor approach' as set out by International Accounting Standard 19 - Employee Benefits. The details of the scheme are referred to in note 12 to the financial statements.

3.6 Financial instruments

3.6.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

3.6.2 Classification

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

3.6.2(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

3.6.2(b) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss, with the exception of interest free loans from sponsors, are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

3.6.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

3.6.4 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

3.6.5 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.7 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

3.8 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'property, plant and equipment'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for property, plant and equipment. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at cost.

3.9 Operating leases

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight line basis over the lease term.

3.10 Ijarah Transactions

Ujrah payments under an ijarah are recognized as an expense in profit or loss on straight line basis over the Ijarah terms unless another systematic basis are representative of the time pattern of the user's benefit even if the payments are not on those basis.

3.11 Ordinary share capital

Ordinary share capital is recognized as equity.

3.12 Trade and other payables

3.12.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

3.12.2 Non-financial liabilities

These, both on initial recognition and subsequently, are measured at cost.

3.13 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.14 Trade and other receivables

3.14.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

3.14.2 Non-financial assets

These, both on initial recognition and subsequently, are measured at cost.

3.15 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer. Transfer risks and rewards vary depending on the individual terms of the contract of sale. For local sales transfer usually occurs on dispatch of goods to customers. For export sales transfer occurs upon loading the goods onto the relevant carrier.

3.16 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of profit or loss and other comprehensive income'.

3.17 Borrowing costs

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

3.18 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

3.18.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

3.18.2 Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.19 Earnings per share ('EPS')

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

3.20 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These are classified as 'loans and receivables' and are carried at cost.

3.21 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

3.22 Impairment

3.22.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset’s carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3.22.2 Non-financial assets

The carrying amount of the Company’s non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determine the recoverable amount. An impairment loss is reversed only to that extent that the asset’s carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.23 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company’s financial statements in the year in which the dividends are approved by the Company’s shareholders.

4 ADOPTION OF NEW AND REVISED APPROVED ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS

The following amendments to approved accounting standards are effective in the current year and relevant to the Company.

Fourth Schedule to the Companies Ordinance, 1984

The Securities and Exchange Commission of Pakistan through S.R.O. 183(I)/2013 has notified certain amendments in the Fourth Schedule to the Companies Ordinance, 1984. These amendments have principally clarified certain matters, changed some of the presentation and classification requirements and incorporated additional disclosure requirements. The Company has adopted these changes which has resulted in additional disclosures made in the financial statements. However, no change in accounting policy was required and accordingly there was no impact on the amounts reported in these financial statements.

IAS 1 - Presentation of Financial Statements ('Amendments')

The amendments rename 'statement of comprehensive income' as 'statement of profit or loss and other comprehensive income' and require entities to group items presented as other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently, i.e. those that might be reclassified and those that will not be reclassified, and require tax associated with items presented before tax to be shown separately for each of the two groups, without changing the option to present items of other comprehensive income either before tax or net of tax. The Company has adopted the amendment and has presented the items of other comprehensive income accordingly. There were no other changes resulting from the adoption, with the exception of change of name to 'statement of profit or loss and other comprehensive income'.

5 NEW AND REVISED APPROVED ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date. Their impact on the Company's financial statements cannot be ascertained as at the reporting date.

5.1 New and Revised Approved Accounting Standards and Interpretations

IFRS 9 - Financial Instruments: Classification and Measurement (2010)

The revised standard incorporates new requirements for the classification and measurement of financial instruments and carries over existing derecognition requirements from IAS 39 - Financial Instruments: Recognition and Measurement. The standard was originally effective for annual periods beginning on or after January 01, 2013, however IASB issued "Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7) which amended the effective date of IFRS 9 to annual periods beginning on or after January 01, 2015.

IFRS 10 - Consolidated Financial Statements (2011)

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 11 - Joint Arrangements (2011)

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 12 - Disclosure of Interests in Other Entities (2011)

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 13 - Fair Value Measurement (2011)

The standard establishes a single framework for measuring fair value where that is required by other standards. The standard is effective for annual periods beginning on or after January 01, 2013.

IAS 19 - Employee Benefits (Revised 2011)

The revised standard requires actuarial gains and losses to be recognized immediately in other comprehensive income and removes the corridor method as well as the option to recognize all changes in defined benefit obligation and plan assets in profit or loss. The revisions are effective for annual periods beginning on or after January 01, 2013.

IAS 27 - Separate Financial Statements (Revised 2011)

The revised standard supersedes IAS 27 - Consolidated and Separate Financial Statements (Revised 2008). The revised standard carries forward existing accounting and disclosure requirements for separate financial statements with some minor clarifications. The revised standard is effective for annual periods beginning on or after January 01, 2013.

IAS 28 - Investments in Associates and Joint Ventures (Revised 2011)

The revised standard supersedes IAS 28 - Investments in Associates (revised 2008). The revised standard makes amendments to apply IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations to investment, or a portion thereof, in an associate or joint venture, that meets the criteria to be classified as held for sale. The revised standard is effective for annual periods beginning on or after January 01, 2013.

IFRIC 20 - Stripping Cost in the Production Phase of a Surface Mining (2011)

The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The Interpretation is effective for annual periods beginning on or after January 01, 2013.

IFRIC 21 - Levies (2013)

The interpretation provides guidance on when to recognize a liability for levy imposed by a government. The Interpretation is effective for annual periods beginning on or after January 01, 2014.

5.2 Amendments to Approved Accounting Standards and Interpretations

Government Loans (Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards)

The amendments address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to International Financial Reporting Standards. The amendments are effective for annual periods beginning on or after January 01, 2013.

Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7 - Financial Instruments: Disclosures)

The amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments are effective for annual periods beginning on or after January 01, 2013.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 - Financial Instruments: Presentation)

The amendments address inconsistenciesin current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 01, 2014.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities)

The amendments provide transitional relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The amendments are effective for annual periods beginning on or after January 01, 2013.

Investment Entities (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements

The amendments provide exemption from consolidation of particular subsidiaries by certain entities defined as "Investment Entities" and require additional disclosures where such subsidiaries are excluded from consolidation pursuant to exemption. The amendments are effective for annual periods beginning on or after January 01, 2014.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 – Impairment of Assets)

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed clarify the disclosures required and introduce an explicit requirement to disclose the discount rate used in determining impairment or reversals where recoverable amount is determined using a present value technique. The amendments are effective for annual periods beginning on or after January 01, 2014.

Novation of Derivative and Continuation of Hedge Accounting (Amendments to IAS 39 – Financial Instruments: Recognition and Measurement)

The amendments clarify that there is no need to discontinue hedge accounting if a hedge derivative is novated provided certain criteria are met. The amendments are effective for annual periods beginning on or after January 01, 2014.

Annual Improvements 2009-2011(effective for annual periods beginning on or after January 01, 2013)

The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

IFRS 1 – First-time Adoption of International Financial Reporting Standards

The amendments clarify that an entity may apply IFRS 1 if its most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with International Financial Reporting Standards even if the entity applied IFRS 1 in the past.

IAS 1 - Presentation of Financial Statements

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

IAS 16 - Property, Plant and Equipment

The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

IAS 32 - Financial Instruments: Presentation

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

IAS 34 - Interim Financial Reporting

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

	Note	**2013**	2012
		Rupees	*Rupees*
6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Ordinary shares of Rs. 10 each			
13,275,000 (2012: 13,275,000) ordinary shares issued for cash		**132,750,000**	132,750,000
16,565,607 (2012: 16,565,607) ordinary shares issued as consideration of merger		**165,656,070**	165,656,070
		298,406,070	298,406,070
7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
As at beginning of the year		**78,429,877**	80,595,864
Surplus recognized during the year		**-**	-
Incremental depreciation recognized in other comprehensive income			
Incremental depreciation for the year		**(2,945,430)**	(3,332,287)
Deferred taxation		**1,030,901**	1,166,300
		(1,914,529)	(2,165,987)
As at end of the year		**76,515,348**	78,429,877
8 LOAN FROM DIRECTORS AND FAMILY MEMBERS - UNSECURED, SUBORDINATE			
Face value of loan	*8.1*	**265,884,966**	265,884,966
Unamortized notional interest	*8.2*	**(92,714,446)**	(115,197,079)
		173,170,520	150,687,887

8.1 This loan has been obtained from directors and their family members of the Company and is interest free. The loan is subordinate to all term finances (see note 9) and short term borrowings of the Company (see note 15).

As per terms of agreement between the lenders and the Company, no repayment shall be demanded and no repayments shall be made by the Company to the lenders before July 31, 2016, being the earliest date on which the underlying borrowings, to which this loan is subordinated, are expected to be completely repaid. Accordingly, this loan has been carried at amortized cost which has been determined using a discount rate of 14.92% per annum, being the average effective borrowing rate of the Company on the date of initial measurement at amortized cost.

	Note	2013	2012
		Rupees	*Rupees*
8.2 Unamortized notional interest			
As at beginning of the year		**115,197,079**	-
Arising during the year		**-**	115,197,079
Amortized during the year		**(22,482,633)**	-
As at end of the year		**92,714,446**	115,197,079

9 LONG TERM FINANCES - SECURED

These represent long term finances utilized under interest/markup arrangements from banking companies

	Note	2013	2012
Term Finance - I	*9.1*	**7,834,834**	36,076,185
Term Finance - II	*9.2*	**89,564,790**	115,164,790
		97,399,624	151,240,975
Current maturity presented under current liabilities	*16*	**(40,308,229)**	(65,734,556)
		57,091,395	85,506,419

9.1 The finance has been obtained from Summit Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company, subordination of loan from directors and their family members and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 4% per annum subject to floor of 17% per annum (2012: six months KIBOR plus 4% per annum subject to floor of 17%) payable quarterly. The finance is repayable in twenty quarterly installments with the first installment due in July 2008.

9.2 The finance has been obtained from National Bank of Pakistan to finance capital expenditure and is secured by charge over operating fixed assets of the Company, subordination of loan from directors and their family members and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 2.5% per annum (2012: six months KIBOR plus 2.5% per annum) payable quarterly. The finance is repayable in twenty equal quarterly installments with the first installment due in October 2010.

9.3 For restrictions on title, and assets pledged as security, refer to note 40 to the financial statements.

	Note	2013	2012
		Rupees	*Rupees*
10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments	*10.1 & 10.2*	**70,000,000**	-
Current portion presented under current liabilities	*10.1 & 10.2*	**(8,235,294)**	-
		61,764,706	**-**

10.1 These represent machinery acquired under finance lease arrangements. The leases are priced at rates ranging from three months KIBOR plus 2.25% per annum. Lease rentals are payable quarterly over a tenor ranging from 5 years. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of lease terms and intends to exercise the option.

10.2 The amount of future payments under the finance lease arrangements and the period in which these payments will become due are as follows:

	2013	2012
	Rupees	*Rupees*
Not later than one year	**14,915,832**	-
Later than one year but not later than five years	**76,223,425**	-
Total future minimum lease payments	**91,139,257**	**-**
Finance charge allocated to future periods	**(21,139,257)**	-
Present value of future minimum lease payments	**70,000,000**	**-**
Not later than one year	**(8,235,294)**	-
Later than one year but not later than five years	**61,764,706**	**-**

11 LONG TERM DEPOSITS - UNSECURED

These represent interest free security deposits from yarn dealers and are repayable on cancellation or withdrawal of dealership. These are being utilized by the Company in accordance with the terms of dealership agreements.

These are classified as 'financial liabilities at amortized cost' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, since the date of repayment cannot be reasonably ascertained, these deposits have been are carried at cost as their amortized cost is impracticable to determine.

	Note	2013 Rupees	2012 Rupees
12 EMPLOYEES RETIREMENT BENEFITS			
The amounts recognized on balance sheet are as follows:			
Present value of defined benefit obligation	12.1	**30,000,125**	29,785,783
Unrecognized actuarial losses	12.2	**(600,819)**	(346,208)
		29,399,306	29,439,575
12.1 Movement in present value of defined benefit obligation			
As at beginning of the year		**29,785,783**	29,338,316
Acquired in business combination		**-**	-
Charged to profit or loss for the year	12.3	**7,733,484**	7,120,646
Benefits paid during the year		**(7,773,753)**	(6,603,470)
Actuarial loss/(gain) arising during the year	12.2	**254,611**	(69,709)
As at end of the year		**30,000,125**	29,785,783
12.2 Movement in unrecognized actuarial losses			
As at beginning of the year		**346,208**	415,917
Gain arising during the year		**254,611**	(69,709)
Recognized during the year	12.3	**-**	-
As at end of the year		**600,819**	346,208
12.3 Charge to profit or loss			
Current service cost		**4,159,190**	3,600,048
Interest cost		**3,574,294**	3,520,598
	12.1	**7,733,484**	7,120,646
Actuarial loss recognized during the year	12.2	**-**	-
		7,733,484	7,120,646
12.4 The charge to profit or loss has been allocated as follows			
Cost of sales	26.2	**5,637,746**	5,252,490
Selling and distribution expenses	27.1	**53,802**	47,959
Administrative and general expenses	28.1	**2,041,936**	1,820,197
		7,733,484	7,120,646

12.5 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of defined benefit obligation are:

	2013	2012
Discount rate	**12%**	12%
Expected rates of increase in salary	**11%**	11%
Expected average remaining working lives of employees	**11 years**	12 years

12.6 Historical information

		2013	2012	2011	2010	2009
Present value of defined benefit obligation	*Rupees*	**30,000,125**	29,785,783	29,338,316	13,614,456	12,017,310
Actuarial adjustment arising during the year	%	**0.85**	0.23	-	11.13	-

The experience adjustment component of actuarial adjustment is impracticable to determine and thus has not been disclosed.

	Note	**2013** *Rupees*	2012 *Rupees*
13 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences	*13.1*	**240,955,956**	237,933,187
Deferred tax asset on deductible temporary differences	*13.1*	**(17,905,861)**	(21,106,925)
		223,050,095	216,826,262

13.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2013			
	As at July 01, 2012 *Rupees*	**Recognized in profit or loss** *Rupees*	**Recognized in equity** *Rupees*	**As at June 30, 2013** *Rupees*
Deferred tax liabilities				
Operating fixed assets - owned	**237,933,187**	**3,022,769**	**-**	**240,955,956**
Deferred tax assets				
Employees retirement benefits	**(10,303,851)**	**14,094**		**(10,289,757)**
Assets subject to finance lease	**-**	**(7,616,104)**	**-**	**(7,616,104)**
Unused tax losses and credits	**(10,803,074)**	**10,803,074**	**-**	**-**
	(21,106,925)	**3,201,064**	**-**	**(17,905,861)**
	216,826,262	**6,223,833**	**-**	**223,050,095**

	2012			
	As at July 01, 2011 *Rupees*	Recognized in profit or loss *Rupees*	Recognized in equity *Rupees*	As at June 30, 2012 *Rupees*
Deferred tax liabilities				
Operating fixed assets - owned	216,126,016	21,807,171	-	237,933,187
Deferred tax assets				
Employees retirement benefits	(10,122,840)	(181,011)	-	(10,303,851)
Assets subject to finance lease	-	-	-	-
Unused tax losses and credits	-	(10,803,074)	-	(10,803,074)
	(10,122,840)	(10,984,085)	-	(21,106,925)
	206,003,176	10,823,086	-	216,826,262

13.2 Deferred tax has been calculated at 35% (2012: 35%) of the timing differences as at the reporting date. The Government of Pakistan vide Finance Act, 2013 has notified a reduced tax rate of 34% for tax year 2014 only, however deferred tax has been recognized using tax rate of 35% as the impact of reduction in tax rate for one tax year is immaterial.

	Note	2013	2012
		Rupees	*Rupees*
14 TRADE AND OTHER PAYABLES			
Trade creditors - *Unsecured*		**69,963,499**	55,435,918
Bills payable - *Secured*	*14.1*	**-**	15,273,196
Accrued liabilities		**56,842,237**	47,651,384
Advances from customers -*Unsecured*		**24,934,727**	940,908
Workers' Profit Participation Fund	*14.2*	**9,213,915**	4,547,491
Workers' Welfare Fund	*14.3*	**5,546,736**	3,814,460
Unclaimed dividend		**1,077,033**	1,077,033
Deductions against vehicle scheme		**2,873,501**	2,120,016
Other payables - *Unsecured*		**4,250,957**	3,663,949
		174,702,605	134,524,355

14.1 These are secured through letters of credit.

14.2 Workers' Profit Participation Fund

	Note	2013	2012
As at beginning of the year		**4,547,491**	5,268,609
Interest on funds utilized by the Company	*14.2.1*	**417,655**	434,480
Charged to profit or loss for the year	*31*	**9,213,915**	4,547,491
Paid during the year		**(4,965,146)**	(5,703,089)
As at end of the year		**9,213,915**	4,547,491

14.2.1 Interest is charged at 11.75% (2012: 14%) per annum.

14.3 Workers' Welfare Fund

	Note	2013	2012
As at beginning of the year		**3,814,460**	2,031,990
Charged to profit or loss for the year	*31*	**3,514,746**	1,782,470
Paid/adjusted during the year		**(1,782,470)**	-
As at end of the year		**5,546,736**	3,814,460

14.4 These represent deductions from employees' salaries on account of vehicle scheme whereby the Company and employees share a portion of the cost of vehicle. The vehicles are registered in the name of employee or leasing company in case of leased vehicles. The cost of vehicles is borne by the Company initially and is recovered from employees on monthly basis.

14.5 These include witholding tax payable amounting to Rs.4,250,957 (2012: Rs. 3,663,949).

	Note	2013	2012
		Rupees	*Rupees*
15 SHORT TERM BORROWINGS - SECURED			
These represent short term finances utilized under interest/mark-up arrangements from banking companies			
Running finances	*15.1*	**54,302,694**	135,681,083
Term loans	*15.1*	**56,419,952**	19,061,553
		110,722,646	154,742,636

15.1 These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over current assets and operating fixed assets of the Company, pledge of stock, subordination of loan from directors and their family members and personal guarantees of the Company's Directors.

These finances carry markup at rates ranging from one to six months KIBOR plus 2.5% to 5% per annum (2012: one to six months KIBOR plus 2.5% to 5% per annum), payable quarterly, except for term loans for which interest/markup is payable with principal on maturity.

The aggregate available short term funded facilities amounts to Rs. 570 million (2012: Rs. 615 million) out of which Rs. 459 million (2012: Rs. 460 million) remained unavailed as at the reporting date.

15.2 For restrictions on title, and assets pledged as security, refer to note 40 to the financial statements.

	Note	2013 *Rupees*	2012 *Rupees*
16 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Long term finances	*9*	**40,308,229**	65,734,556
Liabilities against assets subject to finance lease	*10*	**8,235,294**	-
		48,543,523	65,734,556
17 CURRENT TAXATION			
Advance income tax		**(28,647,321)**	(17,335,503)
Provision for taxation		**47,481,150**	20,126,858
		18,833,829	2,791,355
18 CONTINGENCIES AND COMMITMENTS			
18.1 Contingencies			
18.1.1 Guarantees issued by banks on behalf of the Company		**85,769,942**	85,769,942

18.1.2 Contingencies related to tax matters are referred to note 32 to the financial statements.

	2013 *Rupees*	2012 *Rupees*
18.2 Commitments		
18.2.1 Commitments under irrevocable letters of credit for:		
- purchase of raw material	**60,145,164**	85,952,821
	60,145,164	85,952,821

18.2.2 Commitments under operating leases

The Company has rented office premises under operating lease arrangements. Lease agreement covers a period of three years and is renewable/extendable on mutual consent. Commitments for payments in future periods under the lease agreement are as follows:

	2013 *Rupees*	2012 *Rupees*
- payments not later than one year	**2,187,000**	594,666
- payments later than one year	**3,878,280**	-
	6,065,280	594,666

18.2.3 The Company has entered into an arrangement with several employees, whereby, a portion of lease rental, in respect of vehicles acquired by employees subject to finance lease arrangements is borne by the Company. As at the reporting date, the Company is committed to an amount of Rs. 0.733 million (2012: 2.099 million).

18.2.4 Commitments under ijarah financing

The aggregate amount of ujrah payments for ijarah financing and the period in which these payments will become due are as follows:

	2013 *Rupees*	2012 *Rupees*
- payments not later than one year	**5,152,190**	-
- payments later than one year but not later than five years	**13,395,694**	-
	18,547,884	-

19 PROPERTY, PLANT AND EQUIPMENT

	2013									
	COST / REVALUED AMOUNTS					DEPRECIATION				Net book value as at June 30, 2013 Rupees
	As at July 01, 2012 Rupees	Additions Rupees	Disposals Rupees	As at June 30, 2013 Rupees	Rate %	As at July 01, 2012 Rupees	For the year Rupees	Adjustment Rupees	As at June 30, 2013 Rupees	
Assets owned by the Company										
Freehold land	**98,650,000**	**-**	**-**	**98,650,000**	-	**-**	**-**	**-**	**-**	**98,650,000**
Buildings on freehold land	**267,123,944**	**3,423,866**	**-**	**270,547,810**	**5**	**123,795,474**	**7,203,591**	**-**	**130,999,065**	**139,548,745**
Plant and machinery	**1,317,191,913**	**43,220,251**	**(11,650,924)**	**1,348,761,240**	**5**	**569,249,408**	**37,529,948**	**(4,256,812)**	**602,522,544**	**746,238,696**
Services and other equipment	**2,450,982**	**525,755**	**-**	**2,976,737**	**10**	**1,729,633**	**115,948**	**-**	**1,845,581**	**1,131,156**
Office equipment	**8,666,607**	**-**	**-**	**8,666,607**	**10**	**6,124,028**	**254,258**	**-**	**6,378,286**	**2,288,321**
Furniture and fixtures	**7,603,523**	**-**	**-**	**7,603,523**	**10**	**5,824,732**	**177,879**	**-**	**6,002,611**	**1,600,912**
Scooters and cycles	**49,355**	**-**	**-**	**49,355**	**20**	**47,646**	**342**	**-**	**47,988**	**1,367**
Arms and ammunitions	**102,920**	**-**	**-**	**102,920**	**10**	**55,730**	**4,719**	**-**	**60,449**	**42,471**
Vehicles	**24,965,180**	**7,815,241**	**(1,869,863)**	**30,910,558**	**20**	**13,884,608**	**2,743,948**	**(1,459,580)**	**15,168,976**	**15,741,582**
	1,726,804,424	**54,985,113**	**(13,520,787)**	**1,768,268,750**		**720,711,259**	**48,030,633**	**(5,716,392)**	**763,025,500**	**1,005,243,250**
Assets subject to finance lease										
Plant and machinery	**-**	**70,000,000**	**-**	**70,000,000**	**5**	**-**	**621,041**	**-**	**621,041**	**69,378,959**
	1,726,804,424	**124,985,113**	**(13,520,787)**	**1,838,268,750**		**720,711,259**	**48,651,674**	**(5,716,392)**	**763,646,541**	**1,074,622,209**

	2012									
	COST / REVALUED AMOUNTS					DEPRECIATION				Net book value as at June 30, 2012 Rupees
	As at July 01, 2011 Rupees	Additions Rupees	Disposals Rupees	As at June 30, 2012 Rupees	Rate %	As at July 01, 2011 Rupees	For the year Rupees	Adjustment Rupees	As at June 30, 2012 Rupees	
Assets owned by the Company										
Freehold land	98,650,000	-	-	98,650,000	-	-	-	-	-	98,650,000
Buildings on freehold land	267,123,944	-	-	267,123,944	5	116,251,870	7,543,604	-	123,795,474	143,328,470
Plant and machinery	1,301,166,913	16,025,000	-	1,317,191,913	5	530,589,276	38,660,132	-	569,249,408	747,942,505
Services and other equipment	2,450,982	-	-	2,450,982	10	1,649,483	80,150	-	1,729,633	721,349
Office equipment	8,666,607	-	-	8,666,607	10	5,841,519	282,509	-	6,124,028	2,542,579
Furniture and fixtures	7,412,173	191,350	-	7,603,523	10	5,627,088	197,644	-	5,824,732	1,778,791
Scooters and cycles	49,355	-	-	49,355	20	47,219	427	-	47,646	1,709
Arms and ammunitions	102,920	-	-	102,920	10	50,487	5,243	-	55,730	47,190
Vehicles	20,261,840	6,541,740	(1,838,400)	24,965,180	20	12,664,508	2,332,868	(1,112,768)	13,884,608	11,080,572
	1,705,884,734	22,758,090	(1,838,400)	1,726,804,424		672,721,450	49,102,577	(1,112,768)	720,711,259	1,006,093,165
Assets subject to finance lease										
Plant and machinery	-	-	-	-	5	-	-	-	-	-
	1,705,884,734	22,758,090	(1,838,400)	1,726,804,424		672,721,450	49,102,577	(1,112,768)	720,711,259	1,006,093,165

19.1 Disposal of property, plant and equipment

	2013						
	Cost *Rupees*	**Accumulated depreciation** *Rupees*	**Net book value** *Rupees*	**Disposal proceeds** *Rupees*	**Gain/(loss) on disposal** *Rupees*	**Mode of disposal**	**Particulars of buyer**
Plant and Machinery							
Ring Frames (10)	**11,650,924**	**4,256,812**	**7,394,112**	**7,425,000**	**30,888**	**Negotiation**	**H.A. Haq Spinning Mills Limited**
Vehicles - owned							
Toyota Corolla	**734,000**	**723,697**	**10,303**	**10,303**	**-**	**Book value**	**Company employee**
Suzuki Cultus	**355,515**	**179,559**	**175,956**	**175,956**	**-**	**Book value**	**Company employee**
Suzuki Van	**219,822**	**216,737**	**3,085**	**3,085**	**-**	**Book value**	**Company employee**
Honda CG	**99,150**	**9,915**	**89,235**	**89,235**	**-**	**Book value**	**Company employee**
Honda CD 70	**31,896**	**31,538**	**358**	**358**	**-**	**Book value**	**Company employee**
Yamaha 10	**43,545**	**42,351**	**1,194**	**1,194**	**-**	**Book value**	**Company employee**
Suzuki Pick up	**385,935**	**255,783**	**130,152**	**-**	**(130,152)**	**Stolen**	**Written off**
	13,520,787	**5,716,392**	**7,804,395**	**7,705,131**	**(99,264)**		

	2012						
	Cost *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*	Disposal proceeds *Rupees*	Gain/(loss) on disposal *Rupees*	Mode of disposal	Particulars of buyer
Vehicles - owned							
Honda Civic	1,694,900	1,021,641	673,259	700,000	26,741	Negotiation	Mr. Mukhtar Ahmed, Lahore
Honda CD 70	46,000	22,612	23,388	23,388	-	Book value	Mr. Zahid Sarfraz, Employee
Honda CD 70	23,500	18,612	4,888	10,000	5,112	Negotiation	Mr. Nasir Ahmed, Lahore
Honda CG 125	74,000	49,903	24,097	24,097	-	Book value	Mohammad Ashfaq Khan, Employee
	1,838,400	1,112,768	725,632	757,485	31,853		

	Note	2013	2012
		Rupees	*Rupees*
19.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	*26*	**45,470,526**	46,283,886
Administrative and selling expenses	*28*	**3,181,147**	2,818,690
		48,651,673	49,102,576

Most recent valuation of freehold land was carried out by an independent valuer, Star Tech Consultants Lahore, on April 07, 2010 and was incorporated in the financial statements for the year ended June 30, 2010. Last valuation of buildings on freehold land and plant and machinery was carried out by an independent valuer, Star Tech Consultants Lahore, on July 01, 2010 and was incorporated in the financial statements for the year ended June 30, 2011. Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

	2013		
	Cost	**Accumulated depreciation**	**Net book value**
	Rupees	*Rupees*	*Rupees*
Freehold land	**59,445,942**	**-**	**59,445,942**
Buildings on freehold land	**187,376,969**	**83,461,318**	**103,915,651**
Plant and machinery	**1,317,246,198**	**526,363,476**	**790,882,722**

	2012		
	Cost	Accumulated depreciation	Net book value
	Rupees	*Rupees*	*Rupees*
Freehold land	59,445,942	-	59,445,942
Buildings on freehold land	183,953,103	78,133,154	105,819,949
Plant and machinery	1,215,676,871	493,539,302	722,137,569

The basis of revaluation used by the valuer are as follows:

Land

Revalued amount of land has been determined by reference to local market values of land taking into account prevailing fair market prices under the position and circumstances present on the date of revaluation and current market scenario for properties of similar nature in the immediate neighbourhood and adjoining areas.

Building

Revalued amount of building has been determined by reference to present depreciated replacement values after taking into consideration covered area and type of construction, age of civil and ancillary structures, physical condition and level of preventive maintenance carried out by the Company.

Plant and machinery

Revalued amount of plant and machinery has been determined by reference to present depreciated replacement values after taking in to consideration present physical condition, remaining useful economic lives, technological obsolescence and level of preventive maintenance carried out by the Company.

	Note	2013	2012
		Rupees	*Rupees*
20 LONG TERM DEPOSITS			
Financial institutions		**5,415,856**	3,800,000
Others	*20.1*	**10,573,910**	10,573,910
		15,989,766	14,373,910

20.1 These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

	Note	2013	2012
		Rupees	*Rupees*
21 STORES, SPARES AND LOOSE TOOLS			
Stores		**12,817,915**	6,211,270
Spares		**6,632,415**	7,109,574
Loose tools		**9,610**	9,610
		19,459,940	13,330,454

21.1 There are no spare parts held exclusively for capitalization as at the reporting date.

	Note	2013	2012
22 STOCK IN TRADE			
Raw material	*22.1*	**274,129,938**	210,661,048
Work in process		**27,865,678**	29,803,133
Finished goods	*22.2*	**67,682,609**	40,186,448
		369,678,225	280,650,629

22.1 These include stock in transit valued at Rs. nil (2012: Rs.8,990,868).

22.2 Stock of finished goods include stock of waste valued at net realizable value of Rs. 3,684,374 (2012: Rs. 2,360,971).

22.3 Details of stock pledged as security are referred to in note 40 to the financial statements.

	Note	2013	2012
		Rupees	*Rupees*
23 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to suppliers -*unsecured, considered good*		**2,650,059**	925,682
Advances to employees -*secured*	*23.1*	**9,923,067**	5,331,663
Prepayments		**1,869,169**	1,356,025
Letters of credit		**368,668**	3,479,105
Security deposits		**40,670**	40,670
Sales tax refundable		**60,017,855**	43,578,485
		74,869,488	54,711,630

23.1 These represent advances to employees against post employment benefits in accordance with the Company policy. No advances have been given to any of the directors or executives of the Company.

	2013	2012
	Rupees	*Rupees*
24 CASH AND BANK BALANCES		
Cash in hand	**545,372**	76,124
Cash at banks		
current accounts in local currency	**12,060,125**	5,902,030
current accounts in foreign currency	**8,038,002**	10,277,514
	20,098,127	16,179,544
	20,643,499	16,255,668
25 TURNOVER - NET		
Yarn	**2,173,473,185**	1,983,646,218
Waste	**29,684,471**	27,271,813
	2,203,157,656	2,010,918,031
Sales tax	**(14,728,779)**	-
	2,188,428,877	2,010,918,031

	Note	2013 Rupees	2012 Rupees
26 COST OF SALES			
Raw material consumed	26.1	**1,267,873,179**	1,297,506,372
Power and fuel		**342,284,074**	239,761,294
Stores, spares and loose tools consumed		**62,066,517**	50,637,872
Salaries, wages and benefits	26.2	**165,084,108**	129,825,224
Entertainment		**1,236,431**	994,164
Insurance		**2,338,497**	1,977,352
Repair and maintenance		**13,898,300**	13,354,303
Traveling and conveyance		**152,489**	104,605
Vehicle running and maintenance		**3,082,460**	2,692,852
Depreciation	19.2	**45,470,526**	46,283,886
Others		**755,642**	623,830
Manufacturing cost		**1,904,242,223**	1,783,761,754
Work in process			
As at beginning of the year		**29,803,133**	37,226,753
As at end of the year		**(27,865,678)**	(29,803,133)
		1,937,455	7,423,620
Cost of goods manufactured		**1,906,179,678**	1,791,185,374
Finished goods			
As at beginning of the year		**40,186,448**	44,772,532
As at end of the year		**(67,682,609)**	(40,186,448)
		(27,496,161)	4,586,084
		1,878,683,517	1,795,771,458

26.1 Raw material consumed

	2013 Rupees	2012 Rupees
As at beginning of the year	**210,661,048**	257,284,793
Purchased during the year	**1,331,342,069**	1,259,295,245
Sold during the year	**-**	(8,412,618)
As at end of the year	**(274,129,938)**	(210,661,048)
	1,267,873,179	1,297,506,372

26.2 These include charge in respect of employees retirement benefits amounting to Rs. 5,637,746 (2012: Rs. 5,252,490).

	Note	2013 Rupees	2012 Rupees
27 SELLING AND DISTRIBUTION EXPENSES			
Salaries and benefits	27.1	**1,539,752**	1,366,958
Commission		**2,367,164**	2,922,341
Vehicle running and maintenance		**85,072**	54,942
Advertising and sales promotion		**-**	600,000
Others		**66,971**	56,914
		4,058,959	5,001,155

27.1 These include charge in respect of employees retirement benefits amounting to Rs. 53,802 (2012: Rs. 47,959).

	Note	2013	2012
		Rupees	Rupees
28 ADMINISTRATIVE AND GENERAL EXPENSES			
Directors' meeting fee		**15,000**	15,000
Salaries and benefits	28.1	**35,019,083**	30,722,616
Rent, rates and utilities		**3,299,651**	2,992,955
Printing and stationery		**578,000**	549,575
Communication		**1,504,005**	1,331,086
Repair and maintenance		**700,015**	541,673
Vehicles running and maintenance		**2,514,161**	2,607,933
Fee and subscription		**641,398**	1,731,088
Traveling and conveyance		**3,485,179**	3,608,919
Legal and professional charges		**681,000**	963,483
Auditors' remuneration	28.2	**675,000**	650,000
Entertainment		**897,718**	872,816
Insurance		**569,159**	199,675
Depreciation	19.2	**3,181,147**	2,818,690
Others		**1,173,171**	558,558
		54,933,687	50,164,067

28.1 These include charge in respect of employees retirement benefits amounting to Rs. 2,041,936 (2012: Rs. 1,820,197).

	Note	2013	2012
		Rupees	Rupees
28.2 Auditor's remuneration			
Annual statutory audit		**500,000**	500,000
Half yearly review		**100,000**	75,000
Review report under Code of Corporate Governance		**50,000**	50,000
Out of pocket expenses		**25,000**	25,000
		675,000	650,000
29 OTHER OPERATING INCOME			
Gain on financial instruments			
Foreign exchange gain		**449,971**	819,104
Other income			
Rental income	29.1	**600,000**	300,000
(Loss)/gain on sale of property, plant and equipment		**(99,264)**	31,853
		500,736	331,853
		950,707	1,150,957

29.1 This represents rent received from Kohinoor Power Company Limited, a related party against use of Company's office space.

	2013	2012
	Rupees	Rupees
30 FINANCE COST		
Interest / mark-up on:		
long term finances	**17,116,884**	28,087,677
liabilities against assets subject to finance lease	**3,360,230**	-
short term borrowings	**34,165,272**	39,008,069
	54,642,386	67,095,746
Ijara rentals paid	**394,753**	-
Interest on workers' profit participation fund	**417,655**	434,480
Bank charges and commission	**2,756,415**	2,652,272
	58,211,209	70,182,498

	Note	2013 Rupees	2012 Rupees
31 OTHER CHARGES			
Workers' Profit Participation Fund	*14.2*	**9,213,915**	4,547,491
Workers' Welfare Fund	*14.3*	**3,514,746**	1,782,470
Donations	*31.1*	**308,000**	12,000
		13,036,661	6,341,961

31.1 None of the directors or their spouses had any interest in donations made by the Company.

	Note	2013 Rupees	2012 Rupees
32 TAXATION			
Current taxation			
for current year	*32.1*	**47,481,150**	20,126,858
for prior year		**(16,332,441)**	-
		31,148,709	20,126,858
Deferred taxation	*12.1*	**6,223,833**	10,823,086
		37,372,542	30,949,944

32.1 Provision for taxation has been made under section 18 (2012: section 113) of the Income Tax Ordinance, 2001 ("the Ordinance").

32.2 Reconciliation between average effective tax rate and applicable tax rate

	Unit	2013	2012
Profit before taxation	*Rupees*	**157,972,918**	-
Provision for taxation	*Rupees*	**37,372,542**	-
Average effective tax rate	%	**23.66**	-
Tax effects of:			
Items not included in determination of taxable income	%	**(18.85)**	-
Admissible deductions, losses and tax credits	%	**23.82**	-
Income taxable under final tax regime	%	**(0.02)**	-
Provision for deferred taxation	%	**(3.94)**	-
Others	%	**10.34**	-
Applicable tax rate	%	**35.00**	-

As the provision for current tax for the year ended June 30, 2012 was made under section 113 of the Ordinance, there was no relationship between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented for the year ended June 30, 2012.

32.2 Assessments upto assessment year 2002-2003 have been finalized under the relevant provisions of the Repealed Income Tax Ordinance, 1979.

32.3 Assessments for the tax years up to 2008 are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filed by the Company, with the exception of tax year 2003, the return for which was selected for the audit under section 177 of the Ordinance and a revised assessment order was issue under section 122 of the Ordinance creating a demand of Rs. 3,205,029. The Company has filed an appeal before the Commissioner Inland Revenue (Appeal), the decision on which is pending.

32.4 The Company has filed revised returns for tax years 2009, 2010 and 2011 in order to claim turnover tax under section 113 (2)c of the Ordinance amounting to Rs. 24.594 million.

32.5 Assessment for the tax year 2012 is deemed assessment in terms of Section 120 (1) of the Ordinance, as per return filed by the Company

	Unit	2013	2012
33 EARNINGS PER SHARE			
Profit attributable to ordinary shareholders	*Rupees*	**120,600,376**	168,854,984
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**29,840,607**	29,840,607
Earnings per share -*Basic*	*Rupees*	**4.04**	5.66

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

	Note	2013 Rupees	2012 Rupees
34 CASH GENERATED FROM OPERATIONS			
Profit before taxation		**157,972,918**	199,804,928
Adjustments for non-cash and other items			
Interest / markup on borrowings		**54,642,386**	67,095,746
Notional interest expense/(income)		**22,482,633**	(115,197,079)
Loss/(gain) on disposal of operating fixed assets		**99,264**	(31,853)
Unrealized foreign exchange gain		**(449,971)**	(819,104)
Provision for employees retirement benefits		**7,733,484**	7,120,646
Depreciation		**48,651,674**	49,102,577
		133,159,470	7,270,933
Operating profit before changes in working capital		**291,132,388**	207,075,861
Changes in working capital			
Stores, spares and loose tools		**(6,129,486)**	(2,829,820)
Stock in trade		**(89,027,596)**	58,633,449
Trade receivables		**11,493,937**	8,809,636
Long term deposits		**-**	3,035,000
Advances, prepayments and other receivables		**(20,157,858)**	1,228,366
Trade and other payables		**40,178,250**	(11,986,787)
		(63,642,753)	56,889,844
Cash generated from operations		**227,489,635**	263,965,705
35 CASH AND CASH EQUIVALENTS			
Cash and bank balances	*24*	**20,643,499**	16,255,668
		20,643,499	16,255,668

36 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise directors and their family members, associated companies and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. Transactions with directors and their family members are limited provision of interest free loans to the Company. Transactions with associated companies are limited to rental income only.

Details of transactions and balances with related parties is as follows:

		2013 Rupees	2012 Rupees
36.1 Transactions with related parties			
Nature of relationship	**Nature of transactions**		
Associated companies	Rental income	**600,000**	300,000
Key management personnel	Short-term employee benefits	**5,835,000**	5,415,000
	Post employment benefits	**548,082**	404,084

		2013	2012
		Rupees	*Rupees*
36.2 Balances with related parties			
Nature of relationship	**Nature of balance**		
Directors and their family members	Interest free loan	**265,884,966**	265,884,966
Key management personnel	Short-term employee benefits payable	**500,000**	150,000
	Post employment benefits payable	**6,070,568**	5,522,486

	Note	2013	2012
		Rupees	*Rupees*

37 FINANCIAL INSTRUMENTS

37.1 Financial instruments by class and category

37.1.1 Financial assets

Loans and receivables

	Note	2013	2012
Long term deposits	*20*	**15,989,766**	14,373,910
Trade receivables		**22,256,811**	33,750,748
Security deposits	*23*	**40,670**	40,670
Cash and bank balances	*24*	**20,643,499**	16,255,668
		58,930,746	64,420,996

37.1.2 Financial liabilities

Financial liabilities at amortized cost

	Note	2013	2012
Loan from directors and family members	*8*	**173,170,520**	150,687,887
Long term finances	*9*	**7,834,834**	36,076,185
Long term deposits	*10*	**8,000,000**	8,000,000
Short term borrowings	*14*	**110,722,646**	154,742,636
Accrued interest/mark-up		**16,353,300**	15,625,522
Trade creditors	*16*	**69,963,499**	55,435,918
Bills payable	*16*	**-**	15,273,196
Accrued liabilities	*16*	**56,842,237**	47,651,384
		442,887,036	483,492,728

37.2 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts.

37.2.1 Methods of determining fair values

Fair values of financial instruments for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and liabilities with no active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

37.2.2 Discount/interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

38 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses and assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

38.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

	Note	**2013**	2012
		Rupees	*Rupees*
38.1.1 Maximum exposure to credit risk			
The maximum exposure to credit risk as at the reporting date is as follows:			
Loans and receivables			
Long term deposits with financial institutions	*20*	**5,415,856**	3,800,000
Trade debts		**22,256,811**	33,750,748
Security deposits	*23*	**40,670**	40,670
Cash at banks	*24*	**20,098,127**	16,179,544
		47,811,464	53,770,962

38.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2013	2012
	Rupees	*Rupees*
Customers	**22,256,811**	33,750,748
Banking companies and financial institutions	**25,554,653**	20,020,214
	47,811,464	53,770,962

38.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

38.1.3(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to cash deposits and security deposits. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

38.1.3(b) Counterparties without external credit ratings

These include customers which are counter parties to trade debts. The analysis of ages of trade debts as at the reporting date is as follows:

	2013		2012	
	Gross carrying amount	**Accumulated Impairment**	Gross carrying amount	Accumulated Impairment
	Rupees	***Rupees***	*Rupees*	*Rupees*
Neither past due nor impaired	**22,256,811**	**-**	33,750,748	-
Past due	**-**	**-**	-	-
	22,256,811	**-**	33,750,748	-

There is no significant concentration of credit risk. The Company's customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected.

38.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets.

38.1.5 Credit risk management

The Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

38.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

38.2.1 Exposure to liquidity risk

The followings is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

	2013				
	Carrying amount	**Contractual cash flows**	**One year or less**	**One to five years**	**More than five years**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Long term finances	**97,399,624**	**115,528,274**	**42,550,448**	**72,977,826**	**-**
Liabilities against assets subject to finance lease	**70,000,000**	**91,139,257**	**14,915,832**	**76,223,425**	**-**
Long term deposits	**8,000,000**	**8,000,000**	**-**	**8,000,000**	**-**
Short term borrowings	**110,722,646**	**113,545,190**	**113,545,190**	**-**	**-**
Accrued interest/mark-up	**16,353,300**	**16,353,300**	**16,353,300**	**-**	**-**
Trade creditors	**69,963,499**	**69,963,499**	**69,963,499**	**-**	**-**
Bills payable	**-**	**-**	**-**	**-**	**-**
Accrued liabilities	**56,842,237**	**56,842,237**	**56,842,237**	**-**	**-**
	429,281,306	**471,371,757**	**314,170,506**	**157,201,251**	**-**

	2012				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Long term finances	151,240,975	182,405,821	80,040,532	102,365,289	-
Long term deposits	8,000,000	8,000,000	-	8,000,000	-
Short term borrowings	154,742,636	154,742,636	154,742,636	-	-
Accrued interest/mark-up	15,625,522	15,625,522	15,625,522	-	-
Trade creditors	42,435,918	42,435,918	42,435,918	-	-
Bills payable	15,273,196	15,273,196	15,273,196	-	-
Accrued liabilities	47,651,384	47,651,384	47,651,384	-	-
	434,969,631	466,134,477	355,769,188	110,365,289	-

38.2.2 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies. Further, the Company has continued support of its sponsors and in respect of any temporary liquidity shortfalls.

38.3 Market risk

38.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency.

38.3.1(a) Exposure to currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

	2013	2012
	Rupees	*Rupees*
Financial assets		
Cash and bank balances	**8,038,002**	10,277,514
Financial liabilities	**-**	-
Net exposure	**8,038,002**	10,277,514

38.3.1(b) Exchange rates applied during the year

All foreign currency balances are denominated in United States Dollars (US $). Exchange rates applied during the year are as follows:

	2013	2012
	Rupees	*Rupees*
Financial assets	**98.75**	94.00
Financial liabilities	**98.95**	94.20

38.3.1(c) Sensitivity analysis

A ten percent appreciation in Pak Rupee against the US $ would have decreased profit for the year by Rs. 0.8 million (2012: Rs. 1.03 million) . A ten percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

38.3.1(d) Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities/payments to assets/receipts and using source inputs in foreign currency.

38.3.2 Interest rate risk

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

38.3.2(a) Interest/mark-up bearing financial instruments

The effective interest/mark-up rates for interest/mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest/mark-up bearing financial instruments as at the reporting date are as follows:

	2013	2012
	Rupees	*Rupees*
Fixed rate instruments	**-**	-
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**278,122,270**	305,983,611

38.3.2(b) **Cash flow sensitivity analysis for variable rate instruments**

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 2.79 million (2012: Rs. 3.05 million). A decrease of 100 basis points would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

38.3.2(c) **Interest rate risk management**

The Company manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

38.3.3 Price risk

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

39 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Any temporary shortfall is met through interest free loans from sponsors. The Board of Directors monitors the return on capital and seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances including current maturity. Total capital employed includes total equity (as shown in the balance sheet plus surplus on revaluation of property, plant and equipment and loan from sponsors) plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	Unit	**2013**	2012
Total debt	*Rupees*	**105,634,918**	151,240,975
Total equity	*Rupees*	**941,772,979**	821,172,603
		1,047,407,897	972,413,578
Gearing	*% age*	**10.09%**	15.55%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any other externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance and subordination of loan from sponsors (See note 8).

	2013	2012
	Rupees	*Rupees*

40 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY

	2013 Rupees	2012 Rupees
Mortgages and charges		
Charge over current assets	**800,828,000**	800,828,000
Charge over operating fixed assets	**1,108,173,000**	1,108,173,000
Pledge		
Raw material	**274,129,938**	210,661,048
Finished goods	**65,321,638**	37,825,477

In addition to the above, Saritow Spinning Mills Limited ("SSML") has given undertaking to various banking companies to effect that the Company, pursuant to the merger of Azam Textile Mills Limited ("ATML") into SSML will be liable in respect of all finance facilities availed by ATML in the same manner as ATML was originally liable to the extent of Rs. 720 million.

41 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in their meeting held on October 09, 2013 has proposed dividend on ordinary shares at Rs. 1 per ordinary share of Rs. 10 each payable to shareholders other than sponsors and directors of the Company. The proposed dividend is subject to approval by the shareholders in the forthcoming annual general meeting.

42 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives of the Company on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	2013		
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Managerial remuneration	**-**	**3,820,000**	**7,092,216**
Allowances and perquisites	**-**	**2,000,000**	**3,546,060**
Meeting fee	**-**	**15,000**	**-**
Post employment benefits	**-**	**548,082**	**803,239**
	-	**6,383,082**	**11,441,515**
Number of persons	**-**	**2**	**8**

	2012		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	-	3,600,000	5,563,728
Allowances and perquisites	-	1,800,000	2,871,867
Meeting fee	-	15,000	-
Post employment benefits	-	404,084	898,883
	-	5,819,084	9,334,478
Number of persons	-	2	8

43 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	**2013**	2012
Number of spindles installed	*No.*	**51,840**	51,840
Plant capacity on the basis of utilization converted into 80s count	*Kgs*	**3,054,796**	3,054,796
Actual production converted into 80s count	*Kgs*	**2,396,784**	2,294,413

It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary according to the pattern of production adopted in a particular year. Further, power shortage in the country has also resulted in lower capacity utilization.

44 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 1,167 (2012: 1,095). Average number of persons employed by the Company during the year are 1,162 (2012: 1,038).

45 NON-CASH FINANCING ACTIVITIES

During the year, the Company acquired property, plant and equipment amounting to Rs. 70,000,000 (2012: nil) by means of finance lease.

46 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

47 DATE OF AUTHORIZATION FOR ISSUE

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

48 GENERAL

Figures have been rounded off to the nearest rupee.

Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.

Lahore
Date: October 09, 2013

CHIEF EXECUTIVE **DIRECTOR**

The Companies Ordinance 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

FORM 34

1. Incorporation Number	**15779**
2. Name of the Company	**SARITOW SPINNING MILLS LIMITED**
3. Pattern of holding of the shares by the shareholders as at	**June 30, 2013**

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL SHARES HELD
161	1	100	5,016
250	101	500	71,412
207	501	1,000	162,020
258	1,001	5,000	671,338
80	5,001	10,000	668,015
23	10,001	15,000	310,057
16	15,001	20,000	295,688
20	20,001	25,000	476,096
11	25,001	30,000	307,331
10	30,001	35,000	326,779
2	35,001	40,000	78,000
3	40,001	45,000	124,000
6	45,001	50,000	296,500
1	50,001	55,000	50,851
3	55,001	60,000	173,654
2	60,001	65,000	129,546
1	65,001	70,000	70,000
1	75,001	80,000	80,000
1	80,001	85,000	85,000
4	95,001	100,000	400,000
1	100,001	105,000	102,170
1	115,001	120,000	116,000
1	130,001	135,000	130,136
1	140,001	145,000	141,000
3	145,001	150,000	449,745
1	160,001	165,000	164,000
3	195,001	200,000	600,000
1	270,001	275,000	273,000
1	345,001	350,000	347,000
1	940,001	945,000	942,000
1	1,420,001	1,425,000	1,423,435
1	1,930,001	1,935,000	1,931,549
1	3,175,001	3,180,000	3,179,462
1	5,620,001	5,625,000	5,621,657
1	9,635,001	9,640,000	9,638,150
1079			**29,840,607**

Catagories of Shareholding required under Code of Coprorate Governance (CCG) As on June 30, 2013

Sr.No.	Name	No. of Shares Held	Percentage
	Associated Companies, Undertakings and Related Parties:	-	-
	Mutual Funds:		
1	PRUDENTIAL STOCK FUND LTD (CDC)	5,000	0.0168
	Directors and their Spouse and Minor Chidren:		
1	MR. M. NASEEM SAIGOL (CDC)	9,638,150	32.2988
2	MR. M. AZAM SAIGOL (CDC)	1,931,549	6.4729
3	MR. MUHAMMAD ATHAR RAFIQ	1,123	0.0038
4	MR. MUHAMMAD OMER FAROOQ	2,881	0.0097
5	MR. SAMIR IQBAL SAIGOL	1,123	0.0038
6	MR. MUHAMMAD ZEID SAIGOL	623	0.0021
7	MRS. AMBER HAROON SAIGOL W/O M. AZAM SAIGOL (CDC)	5,621,657	18.8389
8	MRS. SEHYR SAIGOL W/O M. NASEEM SAIGOL (CDC)	3,179,462	10.6548
	Executives:	-	-
	Public Sector Companies & Corporations:	-	-
	Banks, Development Finance Institutions, Non Banking Finance Institution, Insurance Companies, Modarabas and Pension Funds:	327,094	1.0961
	Shareholders holding five percent or more voting intrest in the listed company		
1	MR. M. NASEEM SAIGOL. (CDC)	9,638,150	32.2988
2	MRS. AMBER HAROON SAIGOL (CDC)	5,621,657	18.8389
3	MRS. SEHYR SAIGOL (CDC)	3,179,462	10.6548
4	MR. M. AZAM SAIGOL (CDC)	1,931,549	6.4729

All trades in the shares of the listed company, carried out by its Directors, CEO, CFO, Company Secretary, Their spouses and minor children:

S. No.	NAME	SALE	PURCHASE
	NIL		

Categories of Shareholders	No. of Shareholders	Share held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	8	20,376,568	68.2847
Associated Companies, undertakings and related party	-	-	-
NIT and ICP	2	86,475	0.2898
Banks Development Financial Institutions Non Banking Financial Institution	10	1,464,752	4.9086
Insurance Companies	2	112,527	0.3771
Modarabas and Mutual Funds	4	58,097	0.1947
General Public	1025	7,451,038	24.9695
Others (to be specified)			
Pension Funds	1	130,136	0.4361
Other Companies	1	4,566	0.0153
Joint Stock Companies	20	136,530	0.4575
Foreign Companies	6	19,918	0.0667
	1079	29,840,607	100.0000

FORM OF PROXY

Shares Held	Ledger Folio/CDC Ac No.

I/We ....

Of ....

Appoint ....

Of ....

(or failing him ....

Of ....

Being another member of the Company as my / our proxy to attend and vote for me / us on my / our behalf, at the 27th Annual General Meeting of the Company to be held on Thursday, October 31, 2013 at 10.00 A.M. and at every adjournment thereof.

As witness my / our hand (s) this .... Day of October, 2013

Signed by the said

Witnesses:

REVENUE STAMP

(1) Name ....

N.I.C. No. ....

Address ....

(2) Name ....

N.I.C. No. ....

Address ....

Notes:

1. A member entitled to attend and vote at this meeting may appoint another member as Proxy, Proxies in order to be effective, must be received at 17-Aziz Avenue, Canal Bank, Gulberg V, Lahore. the Registered Office of the Company not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

SARITOW SPINNING MILLS LIMITED

17-Aziz Avenue, Canal Bank,
Gulberg-V, Lahore.
Tel : 042 - 35717364-65, 35718274-75
Fax: 042 - 35715105