



NADEEM TEXTILE
MILLS LIMITED

27th ANNUAL REPORT 2013

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NADEEM TEXTILE MILLS LIMITED

Vision Statement

To be a dynamic, profitable and growth oriented Company.

Mission Statement

The mission of the Company is to prudently utilize the human resources and plant and machinery in order to achieve high levels of sustainable growth by:

- offering high class products and services to all our customers.
- continuously upgrading the latest production facilities to achieve higher levels of operational efficiency.
- nurturing a work culture that generates creativity, enthusiasm, professionalism and teamwork.
- maintaining the highest standards of ethics, safety and environment.
- contributing towards the economic development of the country.

COMPANY INFORMATION

BOARD OF DIRECTORS	:	MR. ZAHID MAZHAR (Chief Executive / Chairman) MR. OMER BIN ZAHID MR. HASSAN BIN ZAHID MST. RAFIA SULTANA MRS. NAILA ZAHID MISS. SARAH ZAHID MR. MEHMOOD SIDDIQI
AUDITORS	:	M/S. RAHMAN SARFARAZ RAHIM IQBAL RAFIQ CHARTERED ACCOUNTANTS
LEGAL ADVISOR	:	MR. ABDUL GHANI KHAN (ADVOCATE)
AUDIT COMMITTEE	:	MRS. NAILA ZAHID (MEMBER / CHAIRPERSON) MR. OMER BIN ZAHID (MEMBER) MST. RAFIA SULTANA (MEMBER)
H. R. AND REMUNERATION COMMITTEE	:	MR. OMER BIN ZAHID (CHAIRMAN) MR. ZAHID MAZHAR (MEMBER) MRS. NAILA ZAHID (MEMBER)
CHIEF FINANCIAL OFFICER	:	MR. OMER BIN ZAHID (M.B.A.)
BANKERS	:	SONERI BANK LIMITED J.S. BANK LIMITED BANK AL-FALAH LIMITED CITI BANK ALLIED BANK LIMITED ASKARI BANK LIMITED
REGISTERED OFFICE	:	201-202, COMMERCE CENTRE, HASRAT MOHANI ROAD, KARACHI - PAKISTAN. PHONE : (021) 32635807 - 32635809 FAX : (92-21) 32637896 - 32632712
SHARE REGISTRAR	:	M/S HAMEED MAJEED ASSOCIATES (PVT.) LTD. 5TH FLOOR, KARACHI CHAMBERS, HASRAT MOHANI ROAD, KARACHI. PHONE : 32424826-32412754 FAX : 32424835 E-MAIL : majeed@hmaconsultants.com
HEAD OFFICE	:	A 801-804, LAKSON SQUARE BUILDING No. 3, SARWAR SHAHEED ROAD, KARACHI - PAKISTAN. PHONE : (021) 35220481-8 FAX : (92-21) 35220495-6
MILLS	:	A-265, S.I.T.E., NOORIABAD, DISTRICT DADU, SINDH.
URL	:	www.nadeem.com.pk

NADEEM TEXTILE MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of Nadeem Textile Mills Ltd. will be held on October 29, 2013 at 12:30 p.m. at Hotel Crown Inn Plot No. 171. off 21 AM, Frere Road, Saddar, Karachi, to transact the following business:

1. To confirm the Minutes of the Extra Ordinary General Meeting of the Company held on 1st July, 2013.
2. To receive, consider, and adopt the audited financial statements of the company for the year ended 30th June, 2013 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2014.
4. To transact any other ordinary business as may be placed before the meeting with the permission of the Chair.

Karachi:
September 30, 2013

By order of the Board
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from October 23, 2013 to October 29, 2013 (both days inclusive). Transfers received before the closure of shares transfer books (i.e 22-10-2013) at the office of share Registrar, M/s Hameed Majeed Associates (Pvt) Ltd. Karachi Chamber, Hasrat Mohani Road, Karachi by 22-10-2013 will be treated in time for the entitlement to attend the Annual General Meeting.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him. A proxy must be a member of the Company.
3. The instrument appointing a proxy, in order to be valid must be received at the Head Office of the Company at A -801-804, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi, not less than forty-eight (48) hours before the time fixed for the meeting.
4. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her participant ID number and account/sub account number along-with original Computerized National Identity Card (CNIC) or passport at the time of attending the meeting to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his/her CNIC or Passport, Representatives of corporate members should bring the usual documents required for such purpose.
5. Members are requested to immediately inform of any change in their addresses to our Share Registrar, M/S Hameed Majeed Associates (Pvt.) Ltd., 5th floor, Karachi Chambers, Hasrat Mohani Road, Karachi.

NADEEM TEXTILE MILLS LIMITED DIRECTORS' REPORT TO THE SHARE HOLDERS

Dear Shareholders,

The Directors of your Company feel pleasure in presenting the 27th Annual Report of the Company together with audited accounts and Auditor's Report thereon for the year ended June 30, 2013.

SUMMARY OF FINANCIAL RESULTS

Following is the brief highlights of the financial results of the Company for the year ended June 30, 2013.

	2013	2012
	Rupees in million	% of Sales
Sales	4,322.72	3,316.50
Gross profit	314.73	256.47
Profit before tax	114.48	53.30
Profit after tax	72.69	5.27
EPS (in Rupees)	6.05	0.44

BREAK-UP VALUE AND EARNING PER SHARE

The break-up value of the shares as on June 30, 2013 was Rs. 44.62 as compared to Rs. 38.57 as at June 30, 2012.

	2013 Rupees	2012 Rupees
Profit after tax	72,698,839	5,278,479
No. of ordinary shares	12,015,000	12,015,000
Earning per share	6.05	0.44

OVERVIEW

The financial results of your company have improved significantly as compared to previous year. The Company has crossed another mile stone by generating record sales of Rs. 4.32 billion as compared to Rs. 3.31 billion of last year, showing a remarkable increase of 30.34%.

The gross profit during the year increased to Rs. 314.73 million as compared to 256.46 million of the last year, on the contrary, finance costs decreased to Rs. 101.38 million as compared to Rs. 124.96 million of last year.

OPERATING PERFORMANCE

The plant has continued to operate satisfactorily throughout the year on a three shifts basis and achieved the production of 12.71 million Kgs. of spun yarn after conversion into 20/s count as compared to 10.25 million Kgs. of previous year.

FUTURE OUTLOOK

A sizeable decline in production of cotton is expected this year. Initially a production of 13.22 million bales of cotton was estimated for the year but the target has been revised downward to 11.95 million bales. The main factors of this decline include low availability of irrigation water during sowing season, extreme hot weather, recent rainfall and floods, shortage of quality seed, and pests attacks on the cotton crop.

Textile industry of the country is likely to face cotton and yarn shortage, due to the expected decline in the crop production. The industry is likely to import about 2 million bales to meet the domestic requirement for the current year

Despite of poor cotton crop, the worsening law and order situation of the country has made it difficult to compete in the global market. Weak economic policies, inadequate physical and human infrastructure, ever increasing prices of fuel and power and increasing inflation have made the situation very tough. The Management of your Company is ready to face these challenges and making every effort to deliver exemplary results in future.

EXPANSION AND MODERNIZATION

The Management of the Company is continuing its BMR program to streamline the production facilities and to improve the quality of its products. Following modernization has been made in various departments:

- 1 Line Blow Room - Trutzschler (Germany)
- 10 Carding Machines - Crossroll MK-5D
- 2 Sets Toyoda Drawing Frame - DX-8LT
- 1 Set Toyoda Simplex Frame - FL-16 (Japan)
- 22 Ring Frames - EJM 168
- 2 Sets Cone Winder - Savio Orion
- 4 Set Autocone Machines - Murata
- 1 Screw Compressor –Wuxi
- 1 Set Central Humidification Plant

The BMR program is to be continued in future according to the resources available. It is expected that after the implementation of BMR the Company will be able to increase its productivity with better quality at reduced cost.

ACQUISITION OF SINDH SEGMENT OF SHADMAN COTTON MILLS LIMITED

During the year, the Company acquired the Sindh segment of its associated company M/S Shadman Cotton Mills Limited alongwith assets and liabilities at fair value.

DIVIDEND

The Board of Directors has not recommended any dividend due to requirement of funds for BMR.

HUMAN RESOURCE

The Directors gives high priority to the training and development of human resources of the company. The management carefully selects the most suitable candidates and continuously upgrading its manpower through training facilities and by inducting more qualified staff.

CODE OF CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the period ended June 30, 2013:

- The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984. These Statements present fairly the Company's state of affairs, results of its operations, cash flow, comprehensive income and changes in equity.
- The Company entered in arm length transactions with other members of the group. These transactions are in compliance with the directives issued by the Security & Exchange Commission of Pakistan (SECP) in this regard.
- 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 judgement.
- The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of Internal Control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt 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.
- The key operating and financial data for the last six years in summarized form is annexed.

- Information about taxes and levies is given in the notes to the accounts.
- All the directors of the company are registered as tax-payer and none of the company's directors is in default of payment of any dues to a banking company, DFI, NBFIs or Stock Exchanges.
- None of the directors of the company is serving on the Board of 7 or more listed companies. The company operates an unfunded gratuity covering all its employees who have completed their qualifying period. Provision is made annually to cover current obligation under the scheme. The company has adopted the revised IAS 19 and as a result thereof actuarial valuation has been carried out as at June 30, 2013.

BOARD MEETINGS

During the period under review, eight meetings of the Board of Directors were held and following were in attendance:

Name of Directors	No. of Meetings Attended
1- Mr. Zahid Mazhar	8
2- Mr. Omer Bin Zahid	8
3- Mr. Hassan Bin Zahid	-
4- Mst. Rafia Sultana	-
5- Mrs. Naila Zahid	8
6- Miss Sarah Zahid	1
7- Mr. Mehmood Siddiqui	7
8- Mr. Sarwar Shahab	-

ASSOCIATED COMPANIES

Following is the list of associated companies:

- (a) Shadman Cotton Mills Ltd.
- (b) Nadeem Power Generation (Pvt.) Ltd.
- (c) Nadeem International (Pvt.) Ltd.

AUDIT COMMITTEE

The company has established an audit committee as required by the Code of Corporate Governance, which comprises of three members as mentioned in the company information. The audit committee has established an internal audit function to monitor and review the adequacy and implementation of internal control at each level.

AUDITORS

The Auditors of the Company M/S Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants retire at the conclusion of the Annual General Meeting and being eligible; offer themselves for re-appointment as Auditors for the next term.

As suggested by the Audit Committee, The Board recommends their appointment as Auditors of the Company for the year ending June 30, 2014.

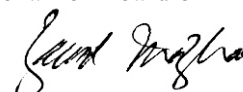
PATTERN OF SHAREHOLDING

The pattern of share holding of the company as at June 30, 2013 is annexed.

ACKNOWLEDGMENT

The Directors of the Company would like to take the opportunity to thank the shareholders, valued clients and bankers for the co-operation extended by them during the course of business activities. The Directors are also pleased to record their appreciation for the continued diligence and devotion of the staff members and workers of the Company.

On behalf of Board of Directors



ZAHID MAZHAR

Chief Executive

Karachi:

Dated: September 30, 2013

NADEEM TEXTILE MILLS LIMITED

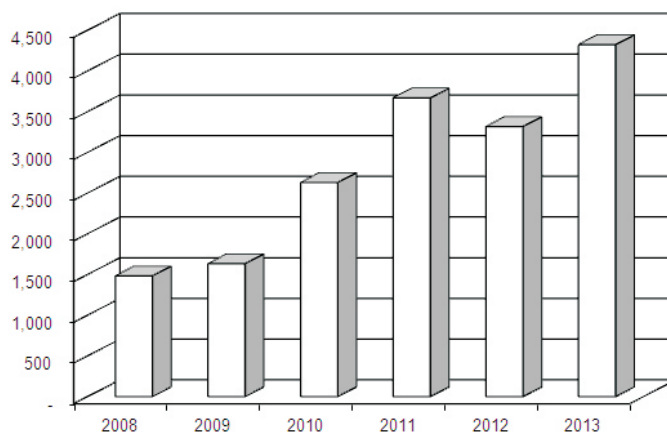
Key Operating & Financial Data

For the period from July 2007 To June 2013

PERIODS	July - June 2012 - 2013	July - June 2011 - 2012	July - June 2010 - 2011	July - June 2009 - 2010	July - June 2008 - 2009	July - June 2007 - 2008
Net Sales Revenue	4,322,718,024	3,316,501,821	3,668,883,661	2,629,106,636	1,631,660,653	1,481,777,767
Cost Of Goods Sold	4,007,983,172	3,060,033,353	3,438,715,465	2,244,275,417	1,472,228,501	1,383,613,882
Gross Profit	314,734,852	256,468,468	230,168,196	384,831,219	159,432,152	98,163,885
Operating Profit	235,929,615	197,398,838	171,647,477	334,604,162	118,257,809	62,257,048
Profit/(Loss) Before Tax	114,479,183	53,302,521	51,632,184	210,993,880	11,035,636	(21,950,288)
Profit/(Loss) After Tax	72,698,839	5,278,478	29,032,097	183,874,536	8,080,715	(24,521,064)
Paid Up Capital	120,150,000	120,150,000	120,150,000	120,150,000	120,150,000	120,150,000
Current Assets	1,179,532,206	720,433,758	710,208,751	727,869,595	451,943,035	600,869,288
Current Liabilities	1,531,672,752	869,867,050	743,382,928	706,861,195	581,968,435	747,065,479

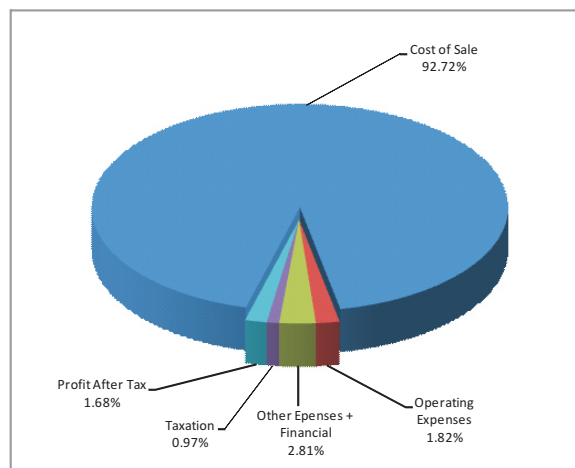
TURNOVER

Year	Sales in (M)
2013	4,323
2012	3,317
2011	3,669
2010	2,629
2009	1,632
2008	1,482



APPLICATION OF REVENUE FOR THE YEAR ENDED JUNE 30, 2013

	RUPEES	%
Cost of Sale	4,007,983,172	92.72%
Operating Expenses	78,805,237	1.82%
Other Expenses + Financial	121,450,432	2.81%
Taxation	41,780,344	0.97%
Profit after Tax	72,698,839	1.68%
TOTAL	4,322,718,024	100%



NADEEM TEXTILE MILLS LIMITED
STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE
YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 37 of Listing Regulations of Karachi Stock Exchange (Guarantee) Ltd. for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Board comprises seven directors, including the CEO. The Company encourages representation of independent non-executive directors on its Board including those representing minority interests. At present, the Board includes two non executive directors.
2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. Casual Vacancy occurred in the Board on Sep. 10, 2012 was filled by the Directors on Sep. 10, 2012.
5. The Company has prepared a Statement of Ethics and Business Practices which has been signed by all the directors and senior employees of the Company.
6. The Board has developed a vision and 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 have been taken by the Board.
8. The meetings of the Board were presided by the Chairman. The Board met atleast 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. Two of the directors met the criteria of exemption from taking orientation course under the condition of having 14 years of education and 15 years of experience on the Board of Directors of Listed Company. The condition of training certification for the other directors will be complied in due course.
10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made during the year.
11. The Directors' Report for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, two of which are non-executive Directors.
16. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, two of which are non-executive Directors.
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code.
The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has setup an effective internal audit function manned by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company. They are involved in the internal audit function on full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim / final results and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. The company has complied with all the major corporate and financial reporting requirements to the code. All related parties transactions have been reviewed and approved by the Board and are carried out as per agreed terms.
23. We confirm that all other material principles contained in the Code have been complied with except for the requirements pertaining to change in composition of Board of Directors or some its committees.

Karachi:

Dated: September 30, 2013



ZAHID MAZHAR

Chief Executive



Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Nadeem Textile Mills Limited (“the Company”), to comply with the Listing Regulations of the Karachi Stock Exchange (Guarantee) 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 the 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 control, or to form an opinion on the effectiveness of such internal controls, the company corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in the arm’s length transactions and transactions which are not executed at arm’s length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, except for the matter stated in note 9 of Statement of Compliance, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

Karachi:

Dated: September 30, 2013


Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants



Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

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AUDITOR'S REPORT TO THE MEMBERS


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

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the 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 & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2013, and of the Profit, Comprehensive Income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980, (XVIII of 1980).

Karachi:
Dated: September 30, 2013


Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Name of Engagement partner: Muhammad Waseem

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

ASSETS	Note	June 30, 2013	June 30, 2012
NON-CURRENT ASSETS		RUPEES	RUPEES
Property, plant and equipment	4	1,127,655,401	700,681,475
Long-term deposits	5	8,773,267	7,823,667
CURRENT ASSETS			
Stores, spares and loose tools	6	41,102,293	28,322,610
Stock-in-trade	7	817,964,486	546,892,815
Trade debts	8	176,832,508	105,374,133
Short term investments	9	8,322,132	5,828,051
Loans and advances	10	8,690,231	7,874,307
Trade deposits, prepayments and other receivables	11	92,869,081	17,061,164
Taxation - net	12	18,968,064	1,431,851
Cash and bank balances	13	14,783,411	7,648,827
		1,179,532,206	720,433,758
		2,315,960,874	1,428,938,900
EQUITY AND LIABILITIES			
Share capital	14	120,150,000	120,150,000
Share Premium		15,575,000	15,575,000
Unappropriated profit		400,413,179	327,714,340
		536,138,179	463,439,340
NON-CURRENT LIABILITIES			
Long-term financing	15	170,123,277	52,002,741
Deferred liabilities	16	78,026,666	43,629,769
CURRENT LIABILITIES			
Trade and other payables	17	431,956,835	135,958,178
Accrued mark-up	18	32,047,879	31,819,711
Short-term borrowings	19	1,005,391,957	666,216,097
Current portion of long-term financing		62,276,081	35,873,064
		1,531,672,752	869,867,050
CONTINGENCIES AND COMMITMENTS			
	20	-	-
		2,315,960,874	1,428,938,900

The annexed notes from 1 to 38 form an integral part of these financial statements.



Zahid Mazhar
Chief Executive

Karachi:

Dated: September 30, 2013



Omer Bin Zahid
Director

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

	Note	June 30, 2013 RUPEES	June 30, 2012 RUPEES
Sales - net	21	4,322,718,024	3,316,501,821
Cost of sales	22	(4,007,983,172)	(3,060,033,353)
Gross profit		314,734,852	256,468,468
Administrative expenses	23	(52,743,727)	(37,705,163)
Distribution costs	24	(26,061,510)	(21,364,467)
		(78,805,237)	(59,069,630)
		235,929,615	197,398,838
Other operating income / (loss)	25	1,757,956	1,457,442
Other charges	26	(21,827,381)	(20,594,219)
Finance cost	27	(101,381,007)	(124,959,540)
		(121,450,432)	(144,096,317)
Profit before taxation		114,479,183	53,302,521
Taxation	28	(41,780,344)	(48,024,042)
Profit after taxation		72,698,839	5,278,479
Earnings per share - basic and diluted	29	6.05	0.44

The annexed notes from 1 to 38 form an integral part of these financial statements.



Zahid Mazhar
Chief Executive

Karachi:

Dated: September 30, 2013



Omer Bin Zahid
Director

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

	June 30, 2013	June 30, 2012
	RUPEES	RUPEES
Profit after taxation	72,698,839	5,278,479
Other comprehensive income	-	-
Total comprehensive income for the year	<u>72,698,839</u>	<u>5,278,479</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.



Zahid Mazhar
Chief Executive

Karachi:

Dated: September 30, 2013



Omer Bin Zahid
Director

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

	Note	June 30, 2013 RUPEES	June 30, 2012 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	333,844,207	234,932,314
Taxes paid		(49,751,890)	(36,119,267)
Gratuity paid	16.1.1	(5,032,346)	(8,039,480)
Finance cost paid		(104,616,645)	(107,020,933)
Workers' profit participation fund paid	17.1	(3,030,393)	(3,121,315)
Net cash generated from operating activities		171,412,933	80,631,319
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(151,592,858)	(231,051,228)
Purchase of assets (refer note 1.2)		(515,543,119)	-
Proceeds from disposal of property, plant and equipment	4.2	450,000	1,042,000
Purchase of investments		(2,099,972)	(1,153,181)
Net cash used in investing activities		(668,785,949)	(231,162,409)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan		34,547,000	158,325,630
Long term liability acquired (refer note 1.2)		167,949,727	-
Dividend paid during the year		(1,291,918)	(1,545,480)
Repayments of long term finance		(35,873,069)	(85,039,823)
Net cash generated from financing activities		165,331,740	71,740,327
Net decrease in cash and cash equivalents		(332,041,276)	(78,790,763)
Cash and cash equivalents at beginning of the year		(658,567,270)	(579,776,507)
Cash and cash equivalents at the end of the year	31	(990,608,546)	(658,567,270)

The annexed notes from 1 to 38 form an integral part of these financial statements.



Zahid Mazhar
Chief Executive

Karachi:
Dated: September 30, 2013



Omer Bin Zahid
Director

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

	ISSUED, SUBSCRIBED & PAID UP CAPITAL	SHARE PREMIUM	UNAPPROPRIATED PROFIT	TOTAL
	← RUPEES →			
Balance as at July 01, 2011	120,150,000	15,575,000	322,435,861	458,160,861
Comprehensive income for the year	-	-	5,278,479	5,278,479
Balance as at June 30, 2012	120,150,000	15,575,000	327,714,340	463,439,340
Comprehensive income for the year	-	-	72,698,839	72,698,839
Balance as at June 30, 2013	120,150,000	15,575,000	400,413,179	536,138,179



Zahid Mazhar
Chief Executive

Karachi:
Dated: September 30, 2013



Omer Bin Zahid
Director

NADEEM TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

1 THE COMPANY AND ITS OPERATIONS

- 1.1 Nadeem Textile Mills Limited ("The Company") was incorporated in Pakistan as public limited company on July 15, 1984 and its shares are listed on the Karachi Stock Exchange Limited. The registered office of the Company is situated at 201-202, Commerce Centre, Hasrat Mohani Road, Karachi. The main business of the Company is manufacture and sale of yarn.
- 1.2 As on the balance sheet date, the company acquired the Sindh segment of its associated company i.e Shadman Cotton Mills Limited with the approval of Board. The assets and liabilities of the Sindh segment were incorporated in these financial statements at their respective fair values on June 30, 2013 using "acquisition method". The "purchase consideration" amounted to Rs. 100 million equal to the fair values of net assets of the Sindh segment of Shadman Cotton Mills Limited.

Particulars	Reference Note No.	Fair Value As At June 30, 2013
Assets :		
Property, plant and equipment	4	334,389,834
Long term deposits	5	949,600
Stores, spares and loose tools	6	15,248,287
Stock-in-trade	7	36,769,262
Trade debts	8	73,073,386
Loan and advances	10	6,008,273
Trade deposits, prepayments and other receivable	11	49,104,477
Cash and bank balances	13	2,332,343
		517,875,462
Liabilities :		
Long-term finance	15	145,438,459
Deferred liabilities	16	22,511,268
Trade and other payables	17	104,747,501
Mark-up accrued on financing	18	3,631,106
Short-term borrowings	19	141,547,128
		417,875,462
Net Assets		100,000,000

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain short term investments which have been carried at fair value and certain employee retirement benefits carried at present value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional and presentation currency of the Company.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Areas where various assumptions and estimates are significant to the financial statements or where judgments were exercised in application of accounting policies are as follows:

	Note
i) Provision for staff retirement benefits	3.15
ii) Provision for slow moving and obsolete stock in trade	3.5
iii) Estimation for impairment of trade debts	3.10
iv) Provision for taxation	3.17
v) Provision for slow moving and obsolete store, spares and loose tools	3.4
vi) Useful life and residual values of property, plant and equipment	3.1

2.5 Initial application of standards, amendments or an interpretation to existing standards

a) Adoption of new accounting standards

The company has adopted the following amended IFRS and related interpretations which became effective during the period:

IAS 1 Presentation of Financial Statements - (Effective from the periods beginning on or after July 1, 2012) Amendments to revise the way other comprehensive income is presented.

The Company expects that the adoption of the above new and amended standard will not have any significant effect on the Company's financial statements in the period of initial application except for certain additional disclosures.

b) Standards not yet effective

Following are the new and amended standards that have been issued and are mandatory for the accounting periods effective from the dates mentioned below against the respective revised standards:

IAS 12 Income Tax (Amendment) - (Effective from the periods beginning on or after July 1, 2013) Deferred Taxes : Recovery of Underlying Assets.

IAS 19 Employee Benefits - (Effective from the periods beginning on or after July 1, 2013) Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects

IAS 32 Financial Instruments - 'Offsetting Financial Assets and Financial Liabilities' effective from January 1, 2014

IFRS 7 Financial Instruments - 'Disclosures - Offsetting Financial Assets and Financial Liabilities', effective from January 1, 2013

There are a number of amendments in other IFRS and IAS which are part of annual improvement project published in 2013 (not addressed above). These amendments are unlikely to have any impact on the Company's financial information and therefore have not been analysed in detail.

c) Standards issued by IASB but not yet notified by SECP

Following new standards have been issued by International Accounting Standards Board (IASB) which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Instruments

IFRS 11 Joint Arrangements

IFRS 12 Disclosure Of Interest In Other Entities

IFRS 13 Fair Value Measurement

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Cost comprises acquisition and other directly attributable costs. Capital work in progress is stated at cost less accumulated impairment losses, if any. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specified assets as and when assets are available for use.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the carrying amount as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit and loss account during the year in which they are incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year in which the asset is derecognized. The related balance of surplus on revaluation of such item, if any, is transferred directly to retained earnings (unappropriated profits).

Depreciation is charged to profit and loss account applying written down value method whereby the cost or revalued amount of an asset is written off over its useful life at the rates specified in note 4 the financial statements. Depreciation on additions is charged from the day in which asset is available for use and on disposals up to the day immediately preceding that of deletion.

The assets' residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at June 30, 2013 did not require any adjustment as its impact is considered insignificant.

3.2 Borrowing costs

Borrowings costs are recognised as an expense in the period in which they are incurred except, to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

3.3 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceed their recoverable amount, an impairment loss is recognized in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversal of impairment loss is restricted to the original cost of the asset.

3.4 Stores, spares and loose tools

Stores, spares and loose tools excluding items in transit are valued at lower of average cost and net realizable value. Provision is made for slow moving and obsolete items. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date.

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding there future usability.

3.5 Stock in trade

Raw materials and packing materials are valued at average cost and finished goods are valued at lower of average cost and net realizable value. Work-in-process is valued at average cost of raw materials including a proportionate of manufacturing overheads. Raw material in transit is valued at invoice value plus other charges paid thereon.

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding there future usability.

3.6 Financial instruments

3.6.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'proceed receivable', 'short term loans', 'trade deposits and other receivables' and 'cash and cash equivalents' in the balance sheet.

c) Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. There were no held to maturity financial assets at the reporting date.

d) Available - for - sale financial assets

Available - for - sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date. There were no available for sale financial asset at the reporting date.

3.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the profit and loss account within income / expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of operating income when the Company’s right to receive payments is established..

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as ‘gains and losses from investment securities’.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised in the profit and loss account as part of other income when the Company’s right to receive payments is established.

3.6.3 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is carried out by the company on annual basis and the related impairment is recognised in the profit and loss account.

3.7 Financial Liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently carried at amortized cost using effective interest rate method .

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

3.8 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.9 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Where the time value of money has a substantial effect due to the time remaining in the due dates for settlement of liabilities, the liabilities are discounted to the present value using effective interest rate.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.10 Trade and other receivables

Trade and other receivables are carried at original invoice amount / cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

Exchange gains or losses arising in respect of trade and other receivables in foreign currency are added to their respective carrying amounts.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, demand deposits held with bank and highly liquid investments with maturity of less than three months from the date of acquisition. Running finance facilities availed by the Company which are repayable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of the statement of cash flows.

3.12 Foreign currency transactions and translation

Foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

3.13 Dividend

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

3.14 Provisions

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

3.15 Employees' retirement benefits

The company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods, that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method. The Gratuity scheme is unfunded and covers those permanent employees and management staff of the Company who have completed prescribed qualifying period of service. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation. Retirement benefits are payable to staff on completion of prescribed qualifying periods of service under these schemes.

Past service cost arising on amendments in the plan is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortized on the straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are accounted for using the corridor method. Under this method, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the profit or loss in the statement of comprehensive income over the expected average remaining working lives of the employees participating in the plan. The following significant assumptions are used for valuation of this scheme.

Discount rate 10.5% per annum

Expected rate of increase in salary 9.5% per annum

3.16 Borrowings

Borrowings that are acquired for long term financing are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.17 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to item(s) recognized directly in equity, in which case it is also recognised in equity.

Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date or minimum or turnover tax under Income Tax Ordinance, 2001, whichever is higher and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognised using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.18 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognized on the following basis:

- Sales revenue is recognised on dispatch of goods to the customers.
- Dividend income on equity investments is recognized when right to receive dividend is established
- Mark-up / interest income is recognized on a time proportion basis that takes into account the effective yield.

3.19 Related Party Transactions

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

3.20 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.21 Earnings per share

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

4 PROPERTY, PLANT AND EQUIPMENT

	Free hold land	lease hold land	Factory building	Office premises	Plant and machinery	Office equipment	Computer equipment	Furniture and fixture	Vehicles	Capital Work in progress	Total
	Rupees										
As at July 01, 2011											
Cost	2,028,820	1,142,763	61,721,356	84,645,078	863,494,758	3,447,648	1,470,113	2,712,952	20,749,611	13,326,812	1,054,739,911
Accumulated depreciation	-	-	(35,297,392)	(23,586,085)	(452,439,077)	(1,366,299)	(930,591)	(1,076,092)	(11,813,581)	(5,833,002)	(532,342,119)
	<u>2,028,820</u>	<u>1,142,763</u>	<u>26,423,964</u>	<u>61,058,993</u>	<u>411,055,681</u>	<u>2,081,349</u>	<u>539,522</u>	<u>1,636,860</u>	<u>8,936,030</u>	<u>7,493,810</u>	<u>522,397,792</u>
Year ended June 30, 2012											
Opening net book value	2,028,820	1,142,763	26,423,964	61,058,993	411,055,681	2,081,349	539,522	1,636,860	8,936,030	7,493,810	522,397,792
Additions during the year	-	-	2,768,627	3,817,681	72,955,552	155,111	270,604	319,840	11,224,562	208,317,556	299,819,533
Disposals / transfers	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	(6,576,815)	-	(119,680)	-	(1,890,351)	(68,768,305)	(77,355,151)
Accumulated depreciation	-	-	-	-	6,047,587	-	108,329	-	1,755,124	-	7,911,040
Depreciation for the year	-	-	(2,775,748)	(3,136,437)	(43,409,037)	(216,983)	(177,098)	(175,644)	(2,200,792)	-	(69,444,111)
Closing net book value	<u>2,028,820</u>	<u>1,142,763</u>	<u>26,406,843</u>	<u>61,740,237</u>	<u>440,072,968</u>	<u>2,019,477</u>	<u>621,677</u>	<u>1,781,056</u>	<u>17,824,573</u>	<u>147,043,061</u>	<u>700,681,475</u>
As at July 01, 2012											
Cost	2,028,820	1,142,763	64,479,983	88,462,759	929,873,495	3,602,759	1,621,037	3,032,792	30,083,822	152,876,063	1,277,204,293
Accumulated depreciation / Asset	-	-	(38,073,140)	(26,722,522)	(489,800,527)	(1,583,282)	(999,360)	(1,251,736)	(12,259,249)	(5,833,002)	(576,522,818)
	<u>2,028,820</u>	<u>1,142,763</u>	<u>26,406,843</u>	<u>61,740,237</u>	<u>440,072,968</u>	<u>2,019,477</u>	<u>621,677</u>	<u>1,781,056</u>	<u>17,824,573</u>	<u>147,043,061</u>	<u>700,681,475</u>
Year ended June 30, 2013											
Opening net book value	2,028,820	1,142,763	26,406,843	61,740,237	440,072,968	2,019,477	621,677	1,781,056	17,824,573	147,043,061	700,681,475
Additions during the year	-	-	18,702,645	24,362,337	161,412,034	3,502,954	380,734	686,588	9,536,594	162,173,191	380,767,077
Additions - (refer note 1.2)	-	30,250,000	79,848,577	25,598,257	188,292,898	1,700,102	-	300,000	8,400,000	-	334,389,834
Disposals / transfers	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	(390,000)	(229,174,219)	(229,564,219)
Accumulated depreciation	-	-	-	-	-	-	-	-	253,391	-	253,391
Depreciation for the year	-	-	(2,920,506)	(3,272,975)	(47,706,464)	(430,379)	(234,938)	(203,515)	(4,103,380)	-	(229,310,828)
	<u>2,028,820</u>	<u>31,392,763</u>	<u>122,037,559</u>	<u>108,427,856</u>	<u>742,071,436</u>	<u>6,792,154</u>	<u>767,473</u>	<u>2,574,129</u>	<u>31,521,178</u>	<u>80,042,033</u>	<u>1,127,655,401</u>
As at June 30, 2013											
Cost	2,028,820	31,392,763	163,031,205	138,423,353	1,279,578,427	8,805,815	2,001,771	4,029,380	47,630,416	85,875,035	1,762,796,985
Accumulated depreciation	-	-	(40,993,646)	(29,995,497)	(537,506,991)	(2,013,661)	(1,234,298)	(1,455,251)	(16,109,238)	(5,833,002)	(635,141,584)
	<u>2,028,820</u>	<u>31,392,763</u>	<u>122,037,559</u>	<u>108,427,856</u>	<u>742,071,436</u>	<u>6,792,154</u>	<u>767,473</u>	<u>2,574,129</u>	<u>31,521,178</u>	<u>80,042,033</u>	<u>1,127,655,401</u>
Annual rates of depreciation	0%	0%	10%	5%	10%	10%	30%	10%	20%		

		Note					
4.1 Depreciation / impairment is allocated as under				June 30, 2013	June 30, 2012		
				RUPEES	RUPEES		
Cost of sales		22		50,626,970	46,184,785		
Administrative expenses		23		8,245,187	5,906,954		
				58,872,157	52,091,739		
4.2 Particulars of disposal of operating fixed assets							
Particulars of asset	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain on disposal	Mode of Disposal	Particulars of Purchaser
	Rupees						
Suzuki Cultus-AFK 380	390,000	253,392	136,608	450,000	313,392	Insurance Claim	EFU General Insurance
2013	390,000	253,392	136,608	450,000	313,392		
2012	8,586,846	7,911,040	675,806	1,042,000	366,194		
4.3 Capital work in progress							
Advance for purchase of Land					437,500		437,500
Carding Machines					6,852,098		18,230,000
Ring Frames					2,903,159		50,866,747
Drawing & Simplex Machines					671,063		27,142,158
Autocone Machinery					45,603,603		14,461,000
Power house					8,420,336		-
Other Capital Items					75,727		403,492
Advance to Contractors for Civil Works					15,078,547		35,502,164
					80,042,033		147,043,061
5 LONG TERM DEPOSITS							
Security deposits							
- WAPDA					715,160		715,160
- Others					339,550		339,550
					1,054,710		1,054,710
Margin on bank guarantee to SSGC					6,768,957		6,768,957
Long term deposits (refer note 1.2)					949,600		-
					8,773,267		7,823,667
6 STORES, SPARES AND LOOSE TOOLS							
Stores					8,083,326		6,536,391
Spares				6.1	17,531,997		21,446,068
Loose tools					238,683		340,151
					25,854,006		28,322,610
Stores, spares and loose tools (refer note 1.2)					15,248,287		-
					41,102,293		28,322,610

6.1 This includes slow moving stores and spares written off during the year amounting to Rs. NIL (2012: 2.518 million).

	Note	June 30, 2013 RUPEES	June 30, 2012 RUPEES
7 STOCK IN TRADE			
Raw material	7.1	616,947,870	496,494,743
Work-in-process		16,039,065	14,142,175
Finished goods		146,320,474	34,364,175
Waste		1,887,815	1,891,722
		781,195,224	546,892,815
Stock in trade (refer note 1.2)		36,769,262	-
		817,964,486	546,892,815
7.1 Stocks with carrying value of Rs. 635.32/- million (2012: Rs. 447.188/- million) have been pledged as security with certain banks against finance facilities.			
8 TRADE DEBTS			
Considered good			
Export trade debts - secured		-	34,754,560
Local trade debts - unsecured		105,634,869	70,619,573
		105,634,869	105,374,133
Considered doubtful			
Local trade debts - unsecured		-	4,208,850
Less: provision for impairment		(1,875,747)	(4,208,850)
		103,759,122	105,374,133
Trade Debtors (refer note 1.2)		73,073,386	-
		176,832,508	105,374,133
9 SHORT TERM INVESTMENTS			
Financial assets at fair value through profit or loss			
Held for trading-Quoted equity Instruments	9.1	4,486,449	1,992,368
Held to Maturity			
Term deposits	9.2	3,835,683	3,835,683
		8,322,132	5,828,051

9.1

June 30 2013	June 30 2012	Name of Company	June 30 2013 Ruppees	June 30 2012 Ruppees
83,976	42,087	The Bank of Punjab	1,069,854	348,480
79,531	34,375	National Bank of Pakistan Limited	3,270,315	1,496,688
23,000	23,000	Azgard Nine Limited	146,280	147,200
186,507	99,462		4,486,449	1,992,368

- All the holdings are in ordinary shares of Rs. 10/- each.

9.2 These represents term deposits are held with the Soneri Bank Limited in respect of margin on bank guarantee provided to ETO in respect of suits details of which are disclosed in note 17.2

	Note	June 30, 2013 RUPEES	June 30, 2012 RUPEES
10 LOAN AND ADVANCES			
Staff and workers	10.1	1,270,618	1,413,471
Advance to suppliers		1,411,340	6,460,836
		2,681,958	7,874,307
Loans and advances (refer note 1.2)		6,008,273	-
		8,690,231	7,874,307
10.1 This represents interest free advances provided to employees in accordance with the Company's policy. The advances are unsecured and are recoverable in equal monthly instalments.			
11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE			
Margin on letter of guarantee	11.1	4,366,000	4,164,720
Deposits		-	415,500
Prepayments		223,098	84,294
Sales tax refundable		28,245,064	9,911,884
Special excise duty refundable		2,518,028	2,484,766
Advance against raw material		8,412,414	-
		43,764,604	17,061,164
Other receivable (refer note 1.2)		9,089,292	-
Sales tax refundable, deposits (refer note 1.2)		40,015,185	-
		49,104,477	-
		92,869,081	17,061,164
11.1 This represents Margin on bank guarantee provided in respect of suits details of which are disclosed in note 17.2.			
12 TAXATION-NET			
Advance tax recoverable		51,183,741	36,552,210
Provision for Taxation		(32,215,677)	(35,120,359)
		18,968,064	1,431,851
13 CASH AND BANK BALANCES			
Cash in hand		107,635	410,851
Cash at bank			
- Current account		9,439,969	7,237,795
- Deposit account		2,903,464	181
		12,343,433	7,237,976
		12,451,068	7,648,827
Cash and bank balances (refer note 1.2)		2,332,343	-
		14,783,411	7,648,827
14 SHARE CAPITAL			
AUTHORIZED SHARE CAPITAL			
12,500,000 (2012:12,500,000) ordinary shares of Rs.10/- each		125,000,000	125,000,000
ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
2013	2012	2013	2012
Number of Shares		Rupees	
5,515,000	5,515,000	55,150,000	55,150,000
6,500,000	6,500,000	65,000,000	65,000,000
12,015,000	12,015,000	120,150,000	120,150,000

	Note	June 30, 2013 RUPEES	June 30, 2012 RUPEES
15 LONG TERM FINANCING			
From Banking Companies- Secured		86,549,733	87,875,805
Less: current portion shown under current liabilities		<u>(42,350,636)</u>	<u>(35,873,064)</u>
		44,199,097	52,002,741
- Askari Bank Limited (refer note 1.2)		19,925,445	-
- Nadeem Power Generation (Pvt) Ltd (refer note 1.2)		123,224,180	-
- Directors' loan (refer note 1.2)		2,700,000	-
		145,849,625	-
Less: current portion shown under current liabilities		<u>(19,925,445)</u>	-
		<u>170,123,277</u>	<u>52,002,741</u>

15.1 The principal details of loan facilities availed by the Company are as follows:

Lender	2013	2012	Purpose	Amount of Facility	Security	Pricing	Repayment Terms
Soneri Bank Limited	23,119,230	32,325,630	Import of Spinning machinery-Term Finance	24.83 million	First specific charge over import of machinery	6 month average Kibor+ 3% p.a	Quarterly instalments
Citi Bank	28,883,503	55,550,175	Acquired for short term requirements and transfered to term finance	80 million	First pari pasu charge over stock and book debts	1 month average Kibor+ 2.5% p.a	Monthly instalments
Askari bank	34,547,000	-	Acquired for short term requirements and transfered to term finance	34.55 million	First pari pasu charge over fixed assets of company	3 month average Kibor + 1.5%	Quarterly instalments
Askari Bank	19,925,445	-	Transferred form shadman cotton mills limited (refer note 1.2)	19.925 million	First pari pasu charge over fixed assets of company	3 month overage Kibor + 2%	Quarterly instalments
Total	86,549,733	87,875,805					

16 DEFERRED LIABILITIES

Gratuity	16.1	17,961,156	15,640,194
Deferred taxation-net	16.2	37,554,242	27,989,575
Gratuity (refer note 1.2)		18,673,382	-
Deferred taxation-net (refer note 1.2)		2,387,808	-
ETO (refer note 1.2)		1,450,078	-
		<u>78,026,666</u>	<u>43,629,769</u>

16.1 Reconciliation of amounts recognised in the balance sheet

Present value of defined benefit obligation		17,377,977	15,574,073
Un recognised net actuarial gain		<u>583,179</u>	<u>66,121</u>
	16.1.1	<u>17,961,156</u>	<u>15,640,194</u>

	Note	June 30, 2013 RUPEES	June 30, 2012 RUPEES			
16.1.1 Movement in the net liability recognized in the balance sheet						
Opening net liability		15,640,194	14,538,010			
Expense for the year	16.1.2	7,353,308	9,141,664			
		<u>22,993,502</u>	<u>23,679,674</u>			
Benefits paid		(5,032,346)	(8,039,480)			
		<u>17,961,156</u>	<u>15,640,194</u>			
16.1.2 Expense recognized in the profit and loss account						
Current service cost		5,172,938	7,059,467			
Interest cost		2,180,370	2,082,197			
		<u>7,353,308</u>	<u>9,141,664</u>			
16.1.3 Comparison for five years						
		2013	2012	2011	2010	2009
		Rupees				
Present value of defined benefit obligation		<u>17,377,977</u>	<u>15,574,073</u>	<u>14,471,889</u>	<u>11,209,100</u>	<u>8,417,973</u>
Experience adjustment: Increase / (decrease) in plan liabilities		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,999)</u>
16.2 Deferred tax liability - net						
Deferred tax liability on taxable temporary difference:						
Property, plant and equipment - accelerated depreciation				45,912,307		31,928,788
Deferred tax asset on deductible temporary differences:						
Provision for doubtful debts				(246,454)		(418,355)
Provision for gratuity				(2,359,916)		(1,554,617)
Minimum tax u/s 113				(5,751,695)		(1,966,241)
				<u>(8,358,065)</u>		<u>(3,939,213)</u>
				<u>37,554,242</u>		<u>27,989,575</u>
17 TRADE AND OTHER PAYABLES						
Creditors				118,051,059		60,249,063
Accrued expenses				69,714,941		52,624,605
Workers' profit participation fund	17.1			6,025,220		2,863,093
Workers' welfare fund				5,930,713		3,483,109
Income tax payable				12,207,703		166,692
Provision against HESCO and Excise Duty	17.2			14,027,752		14,027,752
Unclaimed dividend				1,251,946		2,543,864
				<u>227,209,334</u>		<u>135,958,178</u>
Purchase consideration payable (refer note 1.2)				100,000,000		-
Trade and other payables (refer note 1.2)				104,747,501		-
				<u>431,956,835</u>		<u>135,958,178</u>
17.1 Workers' profits participation fund						
Opening balance				2,863,093		2,840,477
Interest expense	17.1.1			167,300		280,838
				<u>3,030,393</u>		<u>3,121,315</u>
Less: Payment during the year				(3,030,393)		(3,121,315)
				<u>-</u>		<u>-</u>
Allocation for the year				6,025,220		2,863,093
				<u>6,025,220</u>		<u>2,863,093</u>

17.1.1 The company retains workers' profit participation fund for its business operations till the date of allocation to the workers. Interest is paid at the prescribed rate under the Workers' Profits Participation Fund Act on funds utilized by the Company till the date of allocation to the workers. Interest paid for the year ended June 30, 2013 is Nil (2012: Rs. 167,300).

17.2 This includes Rs. 11.452 million (2012: 11.452 million) and Rs. 2.575 million (2012: 2.575 million) provided against the demands of Hyderabad Electric Supply Company Limited and Excise and Taxation departments respectively. The same are disputed and pending for judgments in there respective courts. The Company made provision against the same as a matter of prudence. The Company has also provided bank guarantees against the respective claims amounting to Rs. 10.29 million (2012: 10.29 million) and Rs.3 million (2012: 2 million) [refer note 20.1].

		June 30, 2013	June 30, 2012
		RUPEES	RUPEES
18 MARK-UP ACCRUED ON FINANCING			
Long-term financing		1,772,904	2,716,035
Short-term borrowings		26,643,869	29,103,676
		28,416,773	31,819,711
Mark - up accrued on financing (refer note 1.2)	Note	3,631,106	-
		32,047,879	31,819,711
19 SHORT TERM BORROWINGS			
Askari Bank Limited	15	-	34,546,961
Bank Al-Falah Limited		177,491,997	142,389,308
Allied Bank Limited		72,103,961	132,947,295
Soneri Bank Limited		171,944,534	3,116,390
J. S. Bank Limited		127,373,600	207,099,000
	19.1	548,914,092	520,098,954
Foreign currency loan			
Soneri Bank Limited FE-25	19.2	254,930,737	133,617,143
Loan from directors		60,000,000	12,500,000
		863,844,829	666,216,097
Short term borrowings (refer note 1.2)	19.1	141,547,128	-
		1,005,391,957	666,216,097

19.1 These represent short term working capital finance facilities secured against pledge of stocks (Cotton, Yarn and Spares), and export bills under collection, local trade debts of the Company and charge over current assets. The rate of mark-up for running finance ranges from KIBOR + 1.5% to KIBOR + 2.75% per annum (2012: KIBOR + 1.5% to KIBOR + 2.0% per annum), KIBOR ranged from 1 month, 3 months and 6 months. The applicable rate of mark-up on foreign currency finance has been LIBOR + 1.75% to LIBOR + 2.3% per annum (2012: LIBOR + 3% to LIBOR + 3.5% per annum). The unavailed facility amounts to Rs 637 million.

19.2 This represents Foreign Exchange loan of \$ 2,580,270 translated at the conversion rate existed at June 30, 2013 (2012: \$ 1,418,439).

20 CONTINGENCIES AND COMMITMENTS

No contingency is known to exist as of financial statements date.

Commitments

Following commitments exists for the company as of reporting date;

Against letters of credit	68,908,328	12,485,746
Bank guarantee to Excise & Taxation department	3,000,000	2,000,000
Bank guarantee to HESCO	10,290,000	10,290,000
Revolving Letter of credit to SSGC	21,737,388	21,737,388
FBP outstanding	207,798,000	88,377,778
Civil Contractor	6,746,219	19,989,577

	Note	June 30, 2013 RUPEES	June 30, 2012 RUPEES
21. SALES - NET			
Local sales		1,794,385,194	1,027,756,201
Exports - direct		1,826,302,601	1,325,856,863
Exports - indirect		120,947,220	507,002,304
		1,947,249,821	1,832,859,167
		3,741,635,015	2,860,615,368
Wastage sales		27,797,770	22,977,855
Raw material sales		604,169,126	477,628,629
Income from processing of yarn		-	84,000
		631,966,896	500,690,484
Less :			
Ocean freight		(10,603,743)	(8,899,479)
Commission on export sales		(21,000,150)	(21,261,621)
Commission on local sales		(1,835,689)	(1,267,915)
Export development charges		(4,689,895)	(3,206,993)
Premium on discounting of the export bills		(12,754,410)	(10,168,023)
		(50,883,887)	(44,804,031)
		4,322,718,024	3,316,501,821
22 COST OF SALES			
Raw material consumed	22.1	2,677,607,484	1,893,664,236
Store and spares consumed		54,700,869	43,746,982
Packing material consumed		69,314,242	52,661,253
Salaries, wages and other benefits	22.2	218,146,993	136,039,425
Repair and maintenance		15,717,035	9,690,355
Insurance		10,676,255	7,776,606
Fuel and power		219,874,809	168,996,578
Other manufacturing expenses		7,887,362	9,063,973
Depreciation / impairment	4.1	50,626,970	46,184,785
		3,324,552,019	2,367,824,193
Work in process			
Opening		14,142,175	24,432,772
Closing		(16,039,065)	(14,142,175)
		(1,896,890)	10,290,597
Cost of goods manufactured		3,322,655,129	2,378,114,790
Cost of raw material sold		598,151,435	457,328,969
Finished goods and waste:			
Opening		36,255,897	243,537,291
Yarn purchased for export		199,129,000	17,308,200
Closing		(148,208,289)	(36,255,897)
		87,176,608	224,589,594
		4,007,983,172	3,060,033,353

	Note	June 30, 2013 RUPEES	June 30, 2012 RUPEES
22.1 RAW MATERIAL CONSUMED			
Opening stock		496,494,743	127,300,775
Add: Purchases		3,396,212,046	2,720,187,173
		3,892,706,789	2,847,487,948
Raw Material sold		(598,151,435)	(457,328,969)
Closing stock		(616,947,870)	(496,494,743)
		2,677,607,484	1,893,664,236

22.2 This includes staff retirement benefits amounting to Rs. 4.679 million (2012: 6.683 million).

23 ADMINISTRATIVE EXPENSES

Directors' remuneration		696,000	696,000
Salaries and other benefits	23.1	19,762,723	14,886,942
Traveling conveyance		2,848,847	2,400,155
Legal and professional		4,749,971	1,152,887
Fees and subscription		643,500	1,142,695
Rent, rates and taxes		1,454,252	942,330
Electricity, gas and water		2,457,906	2,018,391
Repair and maintenance		1,469,612	759,611
Communication expenses		1,107,388	851,709
Printing and stationery		890,039	713,172
Motor vehicle expenses		4,210,548	3,009,236
Advertisement expenses		80,532	71,890
Entertainment expenses		1,087,348	974,060
Charity and donation	23.2	15,600	213,600
Audit fee	23.3	795,000	740,000
Miscellaneous expenses		1,119,307	1,225,531
Provision for bad debts		855,367	-
Impairment of trade debts		254,600	-
Depreciation	4.1	8,245,187	5,906,954
		52,743,727	37,705,163

23.1 This includes staff retirement benefits amounting to Rs. 2.673 million (2012: Rs. 2.458 million).

23.2 None of directors or their spouse have any interest in the donees' funds.

23.3 Auditors Remuneration

Audit fee		585,000	500,000
Half yearly review		160,000	140,000
Code Of Corporate Governance		50,000	50,000
Other Certifications		-	50,000
		795,000	740,000

24 DISTRIBUTION COST

Freight and octroi charges		1,564,443	4,085,536
Export Selling Expenses		4,798,680	3,575,710
Foreign Travelling Expense		2,439,996	1,563,720
Trailer Charges		7,199,800	4,728,050
Export Insurance Charges		1,808,906	1,491,565
Stamp duty on Export sales		2,622,090	1,844,653
Others	24.1	5,627,595	4,075,233
		26,061,510	21,364,467

24.1 It includes charges in respect of stamp duty on local sales, Letter of credit expenses, sales promotion, export and foreign bank charges and forwarding charges.

	Note	June 30, 2013 RUPEES	June 30, 2012 RUPEES
25 OTHER OPERATING INCOME			
Profit on saving deposit account		489,809	631,320
Profit on term deposit		320,022	-
Gain on sale of property, plant and equipment		313,392	366,194
Dividend income		240,624	246,625
Capital gain on sale of investments		-	295,268
Unrealised gain / (loss) on investment classified as fair value through Profit & loss		394,109	(81,965)
		<u>1,757,956</u>	<u>1,457,442</u>
26 OTHER CHARGES			
Workers' profit participation fund		6,025,220	2,863,093
Workers' welfare fund		2,447,603	1,146,237
Exchange Loss on translation	26.1	13,354,558	16,584,889
		<u>21,827,381</u>	<u>20,594,219</u>
26.1 This includes amount of Rs 8.37 million on account of exchange loss arise during the year on translation of foreign currency loan FE - 25 obtained from Soneri Bank Limited.			
27 FINANCE COST			
Mark-up on:			
Short term borrowings		87,105,968	107,319,967
Long term financing		9,401,697	10,145,109
Inland letter of credit and FAFB		633,490	4,818,294
		97,141,155	122,283,370
Interest on workers' profit participation fund		167,300	280,838
Bank charges and guarantee commission		4,072,552	2,395,332
		<u>101,381,007</u>	<u>124,959,540</u>
28 TAXATION			
Current year		32,215,677	35,120,359
Prior year		-	1,762,519
Deferred tax	16.2	9,564,667	11,141,164
		<u>41,780,344</u>	<u>48,024,042</u>
28.1 The assessments of the Company have been finalized up to and including the tax year 2012. As the provision for current income tax is based FTR on export and for normal tax regime under section 113 of the Income Tax Ordinance, 2001, accordingly tax expense reconciliation with the accounting profit is not reported.			
29 EARNINGS PER SHARE - BASIC & DILUTED			
Profit after taxation		72,698,839	5,278,478
Weighted average number of ordinary shares		12,015,000	12,015,000
Earning per share in rupees		<u>6.05</u>	<u>0.44</u>

There is no dilutive effect on the basic earnings per share of the Company as it has not issued any instruments carrying options which could have an impact on earnings per share when exercised.

	Note	June 30, 2013 RUPEES	June 30, 2012 RUPEES
30 CASH GENERATED FROM OPERATIONS			
Profit before taxation		114,479,183	53,302,521
Adjustments for non cash and other items			
Depreciation / impairment	4.1	58,872,157	52,091,739
Provision for gratuity	16.1.2	7,353,308	9,141,664
Capital gain on sale of investments		-	(295,268)
Unrealised (gain) / loss on investments classified as fair value through profit and loss		(394,110)	81,965
Gain on sale of property, plant and equipment	4.2	(313,392)	(366,194)
Workers' profits participation fund		6,192,520	2,863,093
Workers' welfare fund		2,447,603	1,146,237
Finance cost		101,213,707	124,959,450
		<u>175,371,793</u>	<u>189,622,776</u>
Operating profit before working capital changes		<u>289,850,976</u>	<u>242,925,297</u>
(Increase) / decrease in current assets			
Stores, spares and loose tools		2,468,604	(2,416,783)
Stock in trade		(234,302,409)	(151,621,980)
Trade debts		1,615,011	150,730,083
Loans and advances		5,192,349	(5,066,619)
Deposits, prepayments and other receivables		(26,703,440)	2,137,100
		<u>(251,729,885)</u>	<u>(6,238,199)</u>
Increase / (decrease) in current liabilities			
Trade and other payables		187,344,509	(1,754,784)
Trade and other payables (refer note 1.2)		108,378,607	-
		<u>333,844,207</u>	<u>234,932,314</u>
31 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at financial statements date as shown in the cash flow statement comprise of following:			
Cash and bank balances		12,451,068	7,648,827
Cash and bank balances (refer note 1.2)		2,332,343	-
Short term borrowings		(863,844,829)	(666,216,097)
Short term borrowings (refer note 1.2)		(141,547,128)	-
		<u>(990,608,546)</u>	<u>(658,567,270)</u>
32. FINANCIAL INSTRUMENTS BY CATEGORY			
Financial assets:			
Loans and receivables			
Long term deposits		8,773,267	7,823,667
Trade debts		176,832,508	105,374,133
Loans and advances		8,690,231	1,413,471
Deposits, prepayments and other receivables		92,869,081	4,664,514
Cash and bank balances		14,783,411	7,648,827
		<u>301,948,498</u>	<u>126,924,612</u>
Fair value through profit and loss			
Equity instruments		4,486,449	1,992,368
Held To Maturity			
Term deposits		3,835,683	3,835,683
		<u>310,270,630</u>	<u>132,752,663</u>

	Note	June 30, 2013 RUPEES	June 30, 2012 RUPEES
Financial liabilities: at amortized cost			
Long term financings		232,399,358	87,875,805
Trade & other payables		431,956,835	135,958,178
Accrued mark-up		32,047,879	31,819,711
Short term borrowings		1,005,391,957	666,216,097
		1,701,796,029	921,869,791

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest / mark - up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Due to the Company's long standing business relationship with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. To manage exposure to credit risk, Company applies credit limits and deals with credit worthy parties. It makes full provision against those balances considered doubtful and by dealing with variety of major banks and financial institutions. The carrying amounts of financial assets against which the Company does not hold any collateral represent the maximum credit exposure, these are listed as under:

Long term deposits	8,773,267	7,823,667
Trade debts	176,832,508	105,374,133
Loans and advances	8,690,231	1,413,471
Deposits, prepayments and other receivables	92,869,081	415,500
Bank balances	14,783,411	7,237,976
	301,948,498	122,264,747

Impairment losses:

The aging of trade debts at the reporting date was:

	2013		2012	
	Gross Value	Impairment	Gross Value	Impairment
	Rupees			
Not past due	101,221,790	-	48,993,925	-
Past due 1-60 days	37,546,520	-	41,958,348	-
Past due 61 days to 1 year	36,038,123	-	9,672,614	-
More than 1 year	3,901,822	1,875,747	8,958,096	4,208,850
Total	178,708,255	1,875,747	109,582,983	4,208,850

The Company believes that no impairment loss is necessary in respect of trade debts past due except for which has already been provided. Trade debts are essentially due from credit worthy parties. The Company is actively pursuing for recovery of debts and the Company does not expect these parties to fail to meet their obligations.

The maximum exposure to credit risk at the balance sheet date segregated by geographic region is as follows:

	June 30, 2013	June 30, 2012
	RUPEES	RUPEES
Domestic	176,832,508	74,828,423
China	-	34,754,560
	<u>176,832,508</u>	<u>109,582,983</u>

The credit quality of Company's bank balances as at the balance sheet date can be assessed with reference to external credit ratings as follows:

AAA	2,202,955	206,963
A1+	11,177,382	6,629,499
A1	1,121,059	385,329
A2	38,810	10,000
AA-	-	6,185
	<u>14,540,206</u>	<u>7,237,976</u>

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate exposure is significant in relation to the Company's total exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit - worthy counterparties thereby mitigating any significant concentrations of credit risk.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facility. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Company's treasury functions aim at maintaining flexibility in funding by keeping committed credit line available.

The following table details repayments of financial liabilities including estimated interest payments based on their contractual maturities:

	Carrying value	Contractual cash flow		
		Total	Upto one year	More than one year
Rupees				
Long term financing	106,475,178	122,508,164	69,367,697	53,140,467
Trade and other payables	431,956,835	431,956,835	431,956,835	-
Short term borrowings	1,005,391,957	1,035,666,932	1,035,666,932	-
June 30, 2013	<u>1,543,823,970</u>	<u>1,590,131,931</u>	<u>1,536,991,464</u>	<u>53,140,467</u>
Long term financing	87,875,805	101,168,621	46,737,204	54,431,417
Trade and other payables	135,958,178	135,958,178	135,958,178	-
Short term borrowings	666,216,097	695,319,773	695,319,773	-
June 30, 2012	<u>890,050,080</u>	<u>932,446,572</u>	<u>878,015,155</u>	<u>54,431,417</u>

Contractual cash flows include tentative interest payments to be made up to the maturity of relevant facilities. The future interest related cash flows depend on the interest rates applicable at that time and the extent of utilization of running finance facilities.

(c) Market risk

Market risk means the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, equity prices and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Company's market risk comprises of two types of risk: foreign exchange or currency risk and interest / mark-up rate risk. The market risks associated with the Company's business activities are discussed as under:

(i) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions denominated in foreign currencies. The foreign currency risk of the Company arising due to exports is minimal as the export bills are immediately realized via sale to bank. Currently the Company's main risk exposure is on its foreign currency borrowing.

(ii) Exposure to foreign currency risk

As at balance sheet date, the Company is exposed to foreign currency risk on the following account balances:

		June 30, 2013	June 30, 2012
Trade debtors	\$	-	369,729
Short term foreign currency finances	\$	(2,580,270)	(1,418,440)
Net Exposure - Asset/ (Liability)	\$	(2,580,270)	(1,048,711)
Net exposure - Asset / (Liability)	Rs.	<u>(254,930,737)</u>	<u>(98,788,539)</u>

Sensitivity analysis

The following is an analysis of the financial assets / liabilities as at June 30, 2013 and 2012 that are subject to foreign currency risk and shows the estimated changes in the value of financial assets and financial liabilities (and the resulting change in profit and loss account and equity) assuming changes in the underlying exchange rates applied immediately and uniformly across all currencies. The changes in value do not necessarily reflect the best or worst case scenarios and actual results may differ. The analysis assumes that all other variables, in particular interest rate, remain constant.

The following significant Rupee exchange rates applied during the year:

	Average rate		June 30 mid spot rate	
	2013	2012	2013	2012
US Dollar	96.35	90.12	96.9	94.2

Change in Rupee parity against foreign currencies would have the following effect on profit and loss account and equity due to the foreign currency balances outstanding as at balance sheet date:

	Weakening of the PKR by				Strengthening of the PKR by		
	-20%	-10%	-5%	0%	5%	10%	20%
June-2013	(20,575,000)	(10,287,500)	(5,143,750)	-	5,143,750	10,287,500	20,575,000
June-2012	(19,757,708)	(9,878,854)	(4,939,427)	-	4,939,427	9,878,854	19,757,708

(iii) Interest rate risk management

Interest/ mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The long-term financing and short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offered Rate (KIBOR) and London Inter Bank Offered Rate (LIBOR) as indicated in respective notes. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2013	2012	2013	2012
	Effective interest rate (%)		Carrying amount (Rs.)	
Financial liabilities				
Long term financing	12.36% - 15%	13.9%-16.13%	86,549,733	87,875,805
Short term borrowings				
- KIBOR based	1.5% to 2.75%	13.79%-15.62%	548,914,092	520,098,954
- LIBOR based	1.75% to 2.3%	3.39%-3.68%	254,930,737	133,617,143

As at balance sheet date, the Company does not hold any fixed rate interest based financial assets or liabilities carried at fair value.

A change of 100 basis points in interest rates would have decreased profit by Rs. 5.781 million (2012: Rs. 7.495 million).

(iv) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up 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 or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 4.48 million (2012: 1.99 million).

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake transactions on adverse terms.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Company are the current bid prices.

The carrying value less impairment provision of trade and other receivables and carrying amount of trade payables are estimated to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The classification of financial instruments carried at fair value by reference to the source of inputs used to derive the fair value as given below uses the following three-level hierarchy:

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

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

	Level 1	Level 2	Level 3	Total
	Rupees			
June 30, 2103				
Financial assets held for trading				
Quoted equity securities	4,486,449	-	-	4,486,449
June 30, 2012				
Financial assets held for trading				
Quoted equity securities	5,828,051	-	-	5,828,051

(d) CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders.

For calculation of gearing ratio disclosed hereunder, "total borrowings" are taken as the sum of 'long term financing' and 'short term borrowings' while "total capital" is comprised of 'shareholders' equity' and 'total borrowings';

	June 30, 2013 RUPEES	June 30, 2012 RUPEES
Total borrowings	1,337,791,315	754,091,902
Cash and bank balances	(14,783,411)	(7,237,976)
	1,323,007,904	746,853,926
Total equity	536,138,179	463,439,340
Total capital	1,859,146,053	1,210,293,266
Gearing ratio (%)	71.96	62.31

34 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

Managerial remuneration	464,000	464,000
Other allowances	232,000	232,000
	696,000	696,000
No of persons	2	2

34.1 The Chief Executive and two directors are provided with cars maintained by the Company and telephone at their residence.

34.2 The Chief Executive has waived his remuneration. The directors have waived their meeting fees.

35 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and operating decisions.

The related parties comprise of major shareholders, associated companies with or without common directors, directors of the Company and key management personnel, staff provident fund, and financial institution having nominee on the Board of Directors. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Transactions with other related parties are entered into at rates negotiated with them. The remuneration of Chief Executive, Directors and Executives is disclosed in note 34 to the financial statements.

Details of transactions and outstanding balances with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Associates

Sale of raw material	604,169,126	477,628,629
Purchase of yarn	199,129,000	4,309,500
Reprocessing charges	318,600	5,436,850
Sale of yarn	-	13,190,350
Reprocessing income	-	84,000

36. PLANT CAPACITY AND ACTUAL PRODUCTION

Total number of spindles installed	48,816	37,464
Spindles under re-erection / major overhauling	-	2,016
Spindles under Installation	-	11,352
Average numbers of spindle worked	37,538	35,490
Number of shifts worked per day	3	3
Installed capacity after conversion into 20/s count (kgs.)	15,153,975	11,629,968
Actual production after conversion into 20/s count (kgs.)	12,712,232	10,258,789

36.1 The Company has acquired further 23,376 spindles from Shadman Cotton Mills Limited as at June 30, 2013.

37 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized the financial statements for issue in their meeting held on September 30, 2013.

40 GENERAL

Figures in these financial statements have been rounded off to the nearest rupee.



Zahid Mazhar
Chief Executive

Karachi:

Dated: September 30, 2013



Omer Bin Zahid
Director

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2013

No. of shareholders	Shareholding	Total shares held
15	Shareholding from 1 to 100 shares	417
13	Shareholding from 101 to 500 shares	6,500
3	Shareholding from 501 to 1000 shares	1,834
1	Shareholding from 1501 to 2000 shares	2,000
1	Shareholding from 2001 to 2500 shares	2,500
1	Shareholding from 10001 to 15000 shares	11,622
2	Shareholding from 35001 to 40000 shares	74,590
1	Shareholding from 45001 to 50000 shares	50,000
1	Shareholding from 50001 to 55000 shares	54,800
3	Shareholding from 100001 to 105000 shares	314,067
1	Shareholding from 165001 to 170000 shares	170,000
1	Shareholding from 195001 to 200000 shares	199,500
1	Shareholding from 260001 to 265000 shares	265,000
1	Shareholding from 530001 to 535000 shares	531,410
1	Shareholding from 655001 to 660000 shares	658,300
2	Shareholding from 690001 to 695000 shares	1,387,626
2	Shareholding from 705001 to 710000 shares	1,412,800
1	Shareholding from 1015001 to 1020000 shares	1,016,628
1	Shareholding from 1100001 to 1105000 shares	1,103,399
1	Shareholding from 2055001 to 2060000 shares	2,059,791
1	Shareholding from 26950001 to 26950000 shares	2,692,216
54	Total	12,015,000

SR. NO.	CATEGORIES	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
1	Directors Chief Executive Officer their spouse and minor children	8	5,753,957	47.89
2	Associated Companies, Undertaking and Related Parties	-	-	-
3	NIT	-	-	-
4	Bank / Financial Institution	-	-	-
5	Insurance Companies	-	-	-
6	General Public / Individuals	46	6,261,043	52.11
7	Joint Stock Companies	-	-	-
		54	12,015,000	100.00

Sr. No.	Share holder categories	Percentage	No. of Share
1	CEO, DIRECTORS AND THEIR SPOUSES AND MINOR CHILDREN DIRECTORS & THEIR SPOUSES		
	MR. ZAHID MAZHAR	22.41	2,692,216
	MR. OMER BIN ZAHID	5.87	705,400
	MR. HASSAN BIN ZAHID	5.89	707,400
	MST. RAFIA SULTANA	9.18	1,103,399
	MRS. NAILA ZAHID	0.10	11,622
	MRS. ANAM OMER	0.02	2,000
	MISS SARAH ZAHID	4.42	531,410
	MR. MEHMOOD SIDDIQUI	0	510
2	ASSOCIATED COMPANIES UNDERTAKINGS AND RELATED PARTIES	-	-
3	NIT	-	-
4	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS AND INSURANCE COMPANIES	-	-
5	INDIVIDUAL SHAREHOLDERS	52.11	6,261,043
6	JOINT STOCK COMPANIES	-	-
7	SHAREHOLDERS HOLDING 05% OR MORE		
	MR. ZAHID MAZHAR	22.41	2,692,216
	MR. OMER BIN ZAHID	5.87	705,400
	MR. HASSAN BIN ZAHID	5.89	707,400
	MR. SHAHID MAZHAR	25.61	3,076,519
	MST. RAFIA SULTANA	9.18	1,103,399
	MRS. SADIA ALI TARIQ G/O MASTER AHMED ALI TARIQ	5.77	693,813
	MRS. SADIA ALI TARIQ G/O MASTER MUSTAFA ALI TARIQ	5.77	693,813
	MR. TARIQ MEHMOOD	5.48	658,300