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COMPANY INFORMATION

CHAIRMAN/CHIEF EXECUTIVE	Mr. Khawar Almas Khawaja
DIRECTORS	Mr. Khawar Almas Khawaja Mr. Muhammad Shahzad Sharif
Mrs. Nighat Khawar	Mr. Muhammad Alamgir Abid Mr. Muhammad Idrees Khan Mr. Abid Hussain
AUDIT COMMITTEE	
Chairman	Mr. Muhammad Idrees Khan
Member	Mr. Khawar Almas Khawaja
Member	Mr. Muhammad Shahzad Sharif
CHIEF FINANCIAL OFFICER	Miss. Sana Ashfaq
COMPANY SECRETARY	Mr. Muhammad Amjad
LEGAL ADVISOR (Ali Muzahir Law Chamber Lahore)	Mr. Muhammad Muzahir Chaudhry
AUDITORS	HLB Ijaz Tabussum & Co. Chartered Accountants Lahore.
SHARES REGISTRAR	Dewsoft Pakistan. (Pvt) Ltd. Lahore
BANKERS	National Bank of Pakistan Standard Chartered Bank Ltd Bank Alfalah Limited Meezan Bank Limited Silk Bank Limited Habib Metropolitan Bank Ltd
REGISTERED OFFICE	Changa Manga Road, Wan Adhan Pattoki, Kasur.
TELEFAX	049-4528188
TELEPHONE	049-4528099, 049-4528177, 0321-4528099
E.MAIL	corporate_amjad@hamid-textile.com , accounts@hamid-textile.com , sales@hamid-textile.com



VISION

To be one of the leaders in textile sector by producing quality products according to customer's specification.

MISSION

- Our mission is to continuously improve our products and serve our customers.
- Provide quality products and services to our customers mainly engaged in the manufacturing of textile products and made-ups.
- Keeping pace with the rapidly changing technology by continuous balancing, modernization and replacement (BMR) of plant and machinery.
- Enhancing the profitability by improved efficiency and cost controls.
- Provide a professional open and participation environment to our dedicated employees for developing their potential and team performance.
- Protecting the environment and contribution towards the economic strength of the country and function as a good corporate citizen.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 26th Annual General Meeting of Hamid Textile Mills Limited will be held on Thursday October 31, 2013 at 10:00 A.M at registered office of the Company, Changa Manga Road, Wan Adhan, Pattoki, Kasur to transact the following business:-

ORDINARY BUSINESS

1. To confirm the Minutes of 25th Annual General Meeting of the shareholders held on Wednesday, November 07, 2012.

2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2013 together with the Directors and Auditors reports thereon.

3. To appoint auditors and fix their remuneration M/S HLB IJAZ TABUSSAM & CO. Chartered Accountants Lahore, being eligible offer themselves as auditors for the next financial year ending June 30, 2014.

4. The director's election of the company were not held on due date, due to legal impediments of petition pending before honorable High Court for member register which is now resolved. Therefore, director's election is to be held on this AGM and to elect the seven directors for period of three years. The following persons are retiring director's of the company.

- | | |
|------------------------------|------------------------------|
| (i) Mr. Khawar Almas Khawaja | (ii) Mst. Nighat Khawar |
| (iii) Muhammad Idreas Khan | (iv) Muhammad Shahzad Sharif |
| (v) Muhammad Alamgir | (vi) Abid Hussain |

All the retiring director's are contesting election and one additional person Mr. Mian Haseeb Iftikhar is also contesting this election.

5. The shareholder approval is sought for payment of monthly remuneration of Rs. 125,000 plus other perquisites and benefits in accordance with rules of the company as company maintained car for Rs. 25,000 and mobile telephone expenditures at actual billing to the Chief Executive Mr. Khawar Almas Khawaja be paid from 1st July 2013 to 30th June, 2014.

Chief executive is interested in the resolution to the extent of remuneration.

By Order of the Board

Muhammad Amjad
Corporate Secretary

Lahore
October 10, 2013

Notes:

1. The share transfer books of the Company will remain closed from October 24, 2012 to October 31, 2012 (both days inclusive)

2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her. Proxy in order to be effective must be received at the company registered office not less than 48 hours before the meeting and must be duly stamped, signed and witnessed through their original CNIC/Passport and providing a copy their.

3. Proxy in order to be effective must be received at the company registered office not less than 48 hours before the meeting and must be duly stamped, signed and witnessed through their original CNIC/Passport and providing a copy their.

(ii) Shareholders are advised to notify any change on their address.

DIRECTORS' REPORT TO THE MEMBERS

The board of directors of your company is pleased to present the 26th Annual Report and Audited Financial Statement of the Company for the year ended on June 30, 2013 along with auditors' report thereon.

PERFORMANCE OF THE COMPANY

The salient feature of the company operational performance for the year under review is summarized as follows:

	2013 Rupees	2012 Rupees
Sales	136,879,520	116,766,735
Gross Profit/ (Loss)	411,079	(8,529,934)
Operating Loss	(9,517,781)	(18,793,940)
Finance Cost	(2,846,590)	(10,715,589)
Loss before de-recognition financial Liabilities	(12,364,371)	(29,304,966)
De-recognition of financial liabilities	12,833,838	4,974,048
Profit/ (Loss) before taxation	469,467	(24,330,918)
Taxation	(20,552,167)	(1,276,783)
Profit/ (Loss) after taxation	(20,082,701)	(25,607,701)
Earnings/ (Loss) per share-basic	(1.50)	(1.93)

The company has achieved turnover Rs. 136.880 million as compared with last financial year turnover of Rs. 116.767 million. The turnover increased by 17.22 as compared with the last year. However, the overall performance of the company was not satisfactory due to the captioned below reasons:-

- Domestically Pakistan is facing the problems of shortage of electricity, gas and the deteriorating law and order situation. The unscheduled and scheduled load shedding along with increase in tariff rates obstructed the viability of the textile industry as the exporters are unable to meet their commitments. The exports remained confined to raw materials instead of value added products to the Global customers. Therefore, the capacity utilization of overall textile sector remains 50-60% during the year under review.
- Textile is the most important manufacturing sector of Pakistan and has the longest production chain, with inherent potential for the value addition at each state of processing, from cotton to ginning, spinning, fabric, processing, made ups and garments. The sector contributes nearly one fourth of industrial value added, provides employment to about 40% of industrial labour force, consumes more than 40% of banking sector credit and contribution toward GDP is 8%.
- The economic developments in financial year 2012-2013 remain volatile but with deepening concerns about sustainability and the depletion of foreign reserves. The economic situation was further weakening due to prevailing economic situation and devaluation of Pakistani rupee against the Dollar.
- The working capital facilities granted by the banks which were expired and the same were not renewed by the banks. Due to shortage of working capital faced by the company, the company opted to operate the mill mainly on conversion basis for spinning section and partially for weaving section as well.

- Despite the captioned odd factors, the overall turnover of the company increased by 17.22%.
- The company has derecognized liability on account of markup Rs. 12.834 million.
- The company has derecognized the liability pertaining to previous management Rs. 225.886 million which had surrendered their right of claim for related parties' loans as on the date of handover the management to the incoming management in 2008 due to tripartite agreement which is now derecognized in the current year which has reduced overall net equity to Rs. 136.477 million as compared with last year Rs. 346.971 million.

The overall performance of the company was not satisfactory due to the above stated facts coupled with energy crises prevailing in the country. However, the keeping in view the financial constraints and other factors beyond the management control, the management has opted for alternate plan to make the unit operative.

FUTURE PROSPECTS:

The business outlook is very challenging due to persistent energy crises in the country and law and order prevailing uncertainty. The operation of the textile mill without proper working capital facilities is a difficult task and to overcome such financial constraints, the management has shifted the operational plan to conversion basis to avoid further cash losses. The management expects that with this alternate option, the company would be able to operate the mill at a maximum capacity to satisfy the customers.

Further, the management is contributing funds for working capital and is also making arrangement of funds for injection to have successful negotiating with the National Bank of Pakistan for restructuring or settlement of existing liabilities with arrangement or renewal of the working capital facilities. The management is confident and hopeful that the efforts for restructuring and renewal of the financial limits would be succeeded in next foreseeable future and then, the operation of the mill shall be started for its own product production very soon.

The management of the company is determined to turn the unit as viable, operative and profitable unit by improving cost effective measures and cost saving efforts in future.

AUDITORS' REPORT QUALIFICATIONS:-

1. Going Concern Assumption

The auditors have issued adverse audit opinion for the going concern assumption by stating the factors which may raise significant doubts about the company's ability to continue as going concern; we hereby submit that the factors enumerated as above, are temporary and management is making concentrated efforts to reverse the same. As given in the future outlook, the company is perusing the NBP for restructuring as well as renewal of the facilities; the management will be able to revive the unit into viable operations.

The company is very much alive and is continuously operating despite non renewal of working capital limits from the bank. The company has revalued its assets on the balance sheet date and the company's overall assets value exceeds its liabilities by Rs. 284.858 million which means that the company will be able to discharge its liabilities. The overall equity inclusive of surplus on revaluation is Rs. 284.858 million and therefore, once the settlement is achieved with the NBP and the account becomes regular, the company shall be able to arrange the working capital as well from any bank or financial institution.

CODE OF CORPORATE GOVERNANCE:

As required by the Code of Corporate Governance the Directors are pleased to report that;

- a) The financial statements, prepared by the management fairly present its state of affairs, the result of its operations cash flows and changes in equity.
- b) Proper books of accounts have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparing financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is designed, strongly emphasized and has been effectively implemented and monitored.
- f) There are no significant doubts upon the company's ability to continue as a going concern, however, uncertain circumstances are discussed in note 1.2 of notes to the accounts.
- g) There has been no material departure from the best practices of Code of Corporate Governance, as defined in the listing regulations.
- h) We have prepared and circulated Statement of Ethics and Business Strategy among directors and employees.
- i) The company has sustained loss during the year therefore has not declared any dividend or bonus for the year.
- j) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding except as disclosed in the accounts.
- k) No trade in shares of Hamid Textile Mills Ltd has been carried out by its directors, CEO, CFO, Corporate secretary and their spouses and minor children during the year.
- l) Key operating ratios and financial results of the company for the last six years are annexed.
- m) The company operates an un-funded gratuity scheme for its employees.
- n) During the year seven board meetings were held. Attendance by each director is appended below:-

Name of Director	Number of Meetings Attended
Mr. Khawar Almas Khawaja	07
Mr. Muhammad Shahzad Sharif	06



Mrs. Nighat Khawar	06
Mr. Muhammad Alamgir	07
Mr. Muhammad Idrees	06
Mr. Abid Hussain	07

- ✓ Mr. Abaid Ullah resigned from the directorship of Hamid Textile Mills Limited with effect from July 21, 2012 and the casual vacancy was filled by appointing Mr. Muhammad Idrees Khan on July 30, 2012.

AUDIT COMMITTEE

The audit committee comprising of following members:-

Mr. Muhammad Idrees	Chairman
Mr. Khawar Almas Khawaja	Member
Mr. Muhammad Shahzad Sharif	Member

- ✓ Due to resignation of Mr. Abaid Ullah on July 21, 2012 this vacancy was filled by the appointment of Mr. Muhammad Idrees Khan and also appointed as Chairman of Audit Committee by the Board of Directors on July 30, 2012.

AUDITORS

The auditors of the company M/s HLB Ijaz Tabussum & Co. Chartered Accountants, Lahore retire and being eligible offer themselves for re-appointment for the year ending June 30, 2014.

PATTERN OF SHAREHOLDING

The pattern of shareholding for the year ending June 30, 2013 is annexed to this report.

VOTE OF THANKS

The directors wish to place on record their appreciation of the hard work and efforts made by the workers and staff and look forward that they will continue to make their best contribution in the future of the company.

On behalf of Board,

Khawar Almas Khawaja
Chief Executive Officer

Date: October 09, 2013
LAHORE.

KEY OPERATING AND FINANCIAL DATA OF LAST SIX YEARS

	2013	2012	2011	2010	2009	2008
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Profit and Loss account						
Sales	136,879,520	116,766,735	313,790,748	326,255,182	250,141,610	250,076,143
Cost of sales	(136,468,441)	(125,296,669)	(325,482,164)	(326,996,805)	(272,022,296)	(299,315,395)
Gross Profit/(Loss)	411,079	(8,529,934)	(11,691,416)	(741,623)	(21,880,686)	(49,239,252)
Operating Expenses						
- Distribution cost	(255,803)	(771,862)	(2,790,629)	(2,799,213)	(1,600,270)	(3,855,404)
- Administrative expenses	(9,673,057)	(9,492,144)	(11,173,383)	(9,655,442)	(8,721,805)	(10,376,691)
- Other operating expenses	-	-	-	-	(109,870)	(38,511)
	(9,928,860)	(10,264,006)	(13,964,012)	(12,454,655)	(10,431,945)	(14,270,606)
Other operating income	-	204,562	19,835	285,565	880,860	14,500
Operating Profit/ (Loss)	(9,517,781)	(18,589,378)	(25,635,593)	(12,910,713)	(31,431,771)	(63,495,358)
Finance cost						
Other charges	(2,846,590)	(10,715,589)	(12,272,227)	(12,090,091)	(14,901,553)	(26,519,069)
	(2,846,590)	(10,715,589)	(12,272,227)	(12,090,091)	(14,901,553)	(26,519,069)
Profit/(Loss) before derecognition of financial liabilities	(12,364,371)	(29,304,966)	(37,907,820)	(25,000,804)	(46,333,324)	(90,014,427)
Derecognition of financial liabilities	12,833,838	4,974,048	26,695,379	8,501,745	14,992,318	-
Profit/(Loss) before taxation	469,467	(24,330,918)	(11,212,441)	(16,499,059)	68,658,994	(90,014,427)
Taxation	(20,552,167)	(1,279,783)	(3,138,106)	(1,683,380)	(617,775)	(1,245,216)
Profit/(Loss) after taxation	(20,082,701)	(25,607,701)	(14,350,547)	(18,182,439)	68,041,219	(91,259,643)
Balance Sheet						
Share Capital	132,716,000	132,716,000	132,716,000	132,716,000	132,716,000	132,716,000
Accumulated loss	(269,193,122)	(479,686,920)	(460,957,769)	(456,392,280)	(442,642,088)	(515,424,221)
Net worth	(136,477,122)	(346,970,920)	(328,241,769)	(323,676,280)	(309,926,088)	(382,708,221)
Long term liabilities	66,089,074	233,890,194	236,881,615	244,005,254	256,496,342	268,248,253
Current liabilities	194,272,304	258,149,099	249,238,125	267,983,800	249,116,667	290,662,043
	260,361,378	492,039,293	486,119,740	511,989,054	505,613,009	558,910,296
Property, plant and equipment	514,787,145	231,716,091	245,239,714	258,629,066	190,675,676	186,057,559
Long term deposits	-	-	-	-	-	-
Current assets	30,432,332	44,187,227	50,351,753	77,182,262	80,425,097	70,299,282
	545,219,477	275,903,318	295,591,467	335,811,328	271,100,773	256,356,841
Key Financial Ratios						
Gross profit ratio (%)	0.30	(7.31)	(3.73)	(0.23)	(8.73)	(19.69)
Operating profit ratio (%)	(6.95)	(15.92)	(8.17)	(3.96)	(12.57)	(25.39)
Net profit ratio (%)	(14.67)	(21.93)	(4.57)	(5.57)	27.20	(36.49)
Current ratio	0.16	0.17	0.20	0.29	0.32	0.24
Leverage (Total liabilities/Net worth)	(1.91)	(1.42)	(1.48)	(1.58)	(1.63)	(1.46)
Earning per share (Rs./share)	(1.51)	(1.93)	(1.08)	(1.37)	5.13	(6.88)

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of KSE and LSE for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Executive Directors	Mr. Khawar Almas Khawaja Mr. Muhammad Alamgir
Non-Executive Directors	Mrs. Nighat Khawar Mr. Muhammad Idrees Khan Mr. Shahzad Sharif Mr. Abid Hussain

The condition of clause (b) of the CCG in relation to independent director will be applicable after next elections of directors in October 31, 2013.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. Only two directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBF1 or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurred in the Board of Directors of the Company due to the resignation of Mr. Abaidullah on July 21, 2012 and was filled by appointing Mr. Muhammad Idrees Khan, in his place, in the BOD dated July 30, 2012.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by CEO and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board is in process of arranging orientation course of its directors during the year to apprise them of their duties and responsibilities. Further Mr. Khawar Almas Khawaja director/ chief executive of the company is a well known industrialist with more than 25 years experience in managing industrial units.

10. The Board has approved appointment of CFO, the Company Secretary and Internal auditor including their remuneration and terms and conditions of employment.
11. The director's report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executive do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises three members, majority of them are non-executive directors and the chairman of the committee is also non Executive-director.
16. The meeting of the audit committee 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 formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom one is non-executive director and the chairman of the committee is a director
18. The Board has set-up an effective internal audit function and appointed M/s Awan & Co, Chartered Accountants Lahore to perform the function.
19. The statutory auditors of the company has confirmed that they have been given a satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP).
20. The statutory auditors or the person 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 exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles contained in the CCG have been complied with.

Place: Lahore.
Dated: October 09, 2013

On behalf of the Board
Chief Executive

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 Hamid Textile Mills Limited, to comply with the Listing Regulation No. 35 of the Karachi, and Lahore Stock Exchanges 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 Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and the 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 risk and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-regulation (x) of Listing Regulation No. 35 notified by The Karachi Stock Exchanges require 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 arms' length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of Approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of 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.

Dated: October 9, 2013
Place: Lahore, Pakistan

HLB IJAZ TABUSSUM & COMPANY,
Chartered Accountants
Engagement Partner:
Muhammad Aslam Tabussum

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of HAMID TEXTILE MILLS LIMITED as at June 30, 2013 and the related Profit and Loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

1. Company is earning marginal gross profit and net loss before de-recognition of financial liabilities, amounting to Rs. = 0.411 million & Rs. = 12.364 million respectively thus causing a net capital deficiency of Rs. = 136.477 million. Current liabilities have exceeded the current assets by Rs. = 163.840 million. Borrowing facility from National bank limited expired since 2008 has neither been amended nor re-scheduled ever since. Furthermore company did not provide us any plan till date of this report which could satisfy us that it has any design/ plan to functionally revive the company.

The said conditions indicate a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern, whereas despite of all these negative facts the financial statements are prepared on going concern basis, as explained in note 1.1 to the accounts.

2. Company has written off loan from related parties (sponsors/members) amounting to Rupees 225.886 million without adopting the requirements as required by IAS 39 regarding de-recognition of financial liabilities.

Except for the contents of the preceding paragraphs 1 & 2 and the extent to which these affect the annexed financial statements:-

- (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,

(the balance sheet and profit and loss account together with the notes thereon have been drawn up

in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

- (ii) The expenditure incurred during the year was for the purpose of the company's business; and
- (iii) The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) Owing to the significance of matters as discussed in our observations in paragraphs 1 & 2 here above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of cash flows, statement of comprehensive income and statement of changes in equity together with the notes forming part thereof do not give a true and fair view of the state of the company's affairs as at June 30, 2013 and of the losses, its cash flows and the changes in equity for the year then ended; and
- (d) In our opinion, no zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

The financial statements of Hamid Textile Mills Limited for the year ended June 30, 2012 were audited by Tabussum Saleem and company, chartered accountants who expressed qualified opinion on those statements as on October 08, 2012. Major reasons for qualified opinion were non-verifiability of long term loan from related parties (Sponsors/ members) amounting to Rupees 225.886 Million & significant doubt on company's ability to continue as going concern.

HLB IJAZ TABUSSUM & CO.
Chartered Accountants

Dated: October 09, 2013
Place: Lahore

Audit Engagement Partner:
Muhammad Aslam Tabussum (FCA)

BALANCE SHEET AS AT JUNE 30, 2013

	Note	JUNE 30, 2013 Rupees	JUNE 30, 2012 Rupees
ASSETS:			
NON-CURRENT ASSETS			
Property, plant and equipment	4	514,787,145	231,716,091
CURRENT ASSETS			
Stores, spares and loose tools	5	9,427,674	10,592,355
Stock in trade	6	6,004,625	8,477,478
Trade debts	7	8,872,157	7,365,537
Loans and advances	8	1,550,595	10,315,523
Trade deposits and short term prepayments	9	2,704,561	134,405
Tax refunds due from the Government	10	1,009,953	1,848,823
Cash and bank balances	11	62,766	3,453,106
		<u>30,432,332</u>	<u>44,187,227</u>
Total Assets:		545,219,477	275,903,319
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Share Capital			
15,000,000 shares (2012: 15,000,000) of Rs. 10/= each		150,000,000	150,000,000
		<u>132,716,000</u>	<u>132,716,000</u>
Share capital	12	132,716,000	132,716,000
Accumulated loss		(269,193,122)	(479,686,921)
		<u>(136,477,122)</u>	<u>(346,970,921)</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
	13	421,335,321	130,834,947
NON-CURRENT LIABILITIES			
Long term loans			
- Long term loans from banking companies - secured	14	-	1,093,750
- Long term loan from related parties - unsecured	15	38,500,028	225,885,767
		<u>38,500,028</u>	<u>226,979,517</u>
Deferred liabilities			
Liabilities against assets subject to finance lease	16	27,589,046	6,910,677
	17	-	-
		<u>350,947,173</u>	<u>17,754,220</u>
CURRENT LIABILITIES			
Trade and other payables	18	63,879,871	62,778,251
Accrued mark-up	19	33,940,613	44,176,223
Short term borrowings	20	42,694,469	98,531,024
Current portion of long term liabilities	21	53,757,351	52,663,601
Provision for taxation		-	-
		<u>194,272,304</u>	<u>258,149,099</u>
		<u>545,219,477</u>	<u>275,903,319</u>
CONTINGENCIES AND COMMITMENTS			
Total equity and liabilities	22	<u>545,219,477</u>	<u>275,903,319</u>

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

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2013

	Note	JUNE 30, 2013 Rupees	JUNE 30, 2012 Rupees
Sale - (Net)	23	136,879,520	116,766,735
Cost of Sales	24	<u>(136,468,441)</u>	<u>(125,296,669)</u>
Gross Profit/(Loss)		411,079	(8,529,934)
Operative Expenses:			
- Distribution Cost	25	255,803	771,862
- Administrative Expenses	26	9,673,057	9,492,145
		<u>(9,928,860)</u>	<u>(10,264,007)</u>
		(9,517,781)	(18,793,941)
Other Operative Income	27	-	204,562
Operating (Loss)		(9,517,781)	(18,589,379)
Finance Cost	28	<u>(2,846,590)</u>	<u>(10,715,589)</u>
(Loss) Before Derecognition of Financial Liabilities		(12,364,371)	(29,304,966)
Derecognition of Liabilities	29	<u>12,833,838</u>	<u>4,974,048</u>
Profit/(Loss) Before Taxation		469,467	(24,330,919)
Taxation	30	<u>(20,552,167)</u>	<u>(1,276,783)</u>
Profit/(Loss) After Taxation Carried To Statement of Comprehensive Income		<u>(20,082,701)</u>	<u>(25,607,701)</u>
Earning/(Loss) Per Share - Basic	31	<u>(1.51)</u>	<u>(1.93)</u>

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		469,467	(24,330,920)
ADJUSTMENTS			
Depreciation		12,119,952	13,302,334
Provision/ (Reversal) for gratuity		1,305,673	1,495,705
Profit on disposal of fixed assets		-	(46,127)
Derogation of Financial Liability		(12,833,838)	-
Finance cost		2,846,590	10,715,589
		3,438,377	25,467,501
Operating profit/(loss) before adjustment of working capital		3,907,844	1,136,581
(Increase) / decrease in current assets:			
Stores, spares and loose tools		1,164,681	427,942
Stock in trade		2,472,853	7,082,114
Trade debts		(1,506,620)	2,024,763
Loans and advances		8,764,928	(1,981,709)
Trade deposits and short term prepayments		(2,570,156)	78,000
Tax refunds due from the Government		38,870	(1,093,824)
		8,364,557	6,537,286
Increase/(decrease) in current liabilities:			
Trade and other payables		1,513,216	(21,388,952)
Cash inflow / (outflow) from operations		13,785,616	(13,714,185)
Gratuity paid		(495,073)	(112,126)
Finance Cost		(248,362)	(2,734,015)
Taxes paid		(1,095,993)	(240,310)
Net cash inflow / (outflow) from operating activities		11,946,188	(16,800,636)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(3,949,700)
Sale proceeds of property, plant and equipment		-	4,217,118
Fixed capital expenditure on property, plant and equipment		-	-
Net cash (outflow) from investing activities		-	267,418
C. CASH FLOW FROM FINANCING ACTIVITIES			
Short term loan from related parties - unsecured		(55,836,555)	24,007,280
Long term loan from related parties - unsecured		38,500,028	-
Net cash inflow from financing activities		(17,336,527)	24,007,280
Net increase in cash and cash equivalents (A+B+C)		(5,390,339)	7,474,062
Cash and cash equivalents at the beginning of the year		(19,067,193)	(26,541,251)
Cash and cash equivalents at the end of the year	32	(24,457,532)	(19,067,193)

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

CHIEF EXECUTIVE

DIRECTOR



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2013

	Share Capital	Un-appropriated profit / (Accumulated Loss)	Surplus on Revaluation of Fixed Assets	Total
(Amounts in Rupees)				
Balance as on June 30, 2011	132,716,000	(460,957,769)	137,713,497	(190,528,272)
Total Comprehensive Income for the year	-	(25,607,702)	-	(25,607,702)
Incremental depreciation charged to revaluation surplus	-	6,878,550	(6,878,550)	-
Balance as on June 30, 2012	132,716,000	(479,686,920.60)	130,834,947	(216,135,974)
Total Comprehensive Income for the year	-	(20,082,701)	-	(20,082,701)
Derogation of Financial Liability	-	225,885,767	-	225,885,767
Revaluation Surplus	-	-	295,191,006	295,191,006
Incremental depreciation charged to revaluation surplus	-	4,690,732	(4,690,732)	-
Balance as on June 30, 2013	132,716,000	(269,193,122)	421,335,221	284,858,099

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

	JUNE 2013 Rupees	JUNE 2012 Rupees
PROFIT / (LOSS) FOR THE YEAR	(20,082,701)	(25,607,701)
Items that will not be reclassified to profit or loss		
Items that may be reclassified subsequently to profit or loss:	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(20,082,701)</u>	<u>(25,607,701)</u>

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

CHIEF EXECUTIVE

DIRECTOR

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

1. THE COMPANY AND ITS ACTIVITIES:

Hamid Textile Mills Limited (the "Company") was incorporated in Pakistan on April 09, 1987 as a Private Limited Company and was subsequently converted on February 15, 1988 into Public Limited Company under the Companies Ordinance, 1984 and is listed on the Karachi and Lahore Stock Exchanges in Pakistan. The registered office of the Company at Changa Manga Road, Wan Adhan, Tehsil Pattoki, District Kasur. The principal business of the company is to manufacture yarn and grey cloth, which are marketed within and outside Pakistan. The Company's manufacturing activities are located at Wan Adhan, Tehsil Pattoki, Distt. Kasur.

- 1.1 The financial statement of the company for the year ended June 30, 2013 reflected loss after taxation Rs. 20.083 million (2012: Rs.25,608 million), and as of that date it has accumulated losses of Rs. 269.193 million (2012: Rs. 479.687 Million) which has resulted in net capital deficiency of Rs. 136.477 million (2012: Rs. 346.971 Million), its current liabilities exceeds its current asset by Rs. 163.84 million (2012: 213,962 Million). The company financial facilities stand expired which are not renewed and the company is unable to ensure the timely repayments of the debts owing to financial constraint due to the squeezed working capital facilities. These conditions indicates the existence of material uncertainty which may cast significant doubts about the Company's ability to continue as going concern.

As the operation of the company remains operative for the whole year and its total assets exceeds its total liabilities by Rs. 284.858 million as on the balance sheet date, and therefore, the company will be able to liquidates its liabilities in normal course of business. However, the management is making concentrated efforts to revive the unit into viable operations and the management feels that with the elimination of the energy crises and with the reduction of KIBOR to 10% by the SBP management would be successful in negotiating the settlement with the banks for restructuring and renewal of the financial facilities. So, the mill would be made operative and will revive the equity of the shareholders. However, these financial statements have been prepared under the going concern basis without any adjustment to assets and liabilities as the management expects that these factors are temporary, will be reverse in foreseeable future and the unit could be operative.

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. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention and on accrual basis except recognition of the staff retirement benefits at present value and as modified by the revaluation of building and plant and machinery and as stated in notes 3.1 & 3.3.

2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates and to exercise judgments in the process of applying the accounting policies that have the most significant effect on the amounts recognized in the financial statements. The estimates

and judgements are continually evaluated and are based on historical experience including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgements were exercised in application of accounting policies are as follows:

2.4 Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the company. Further, the company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

2.5 Taxation

The company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

2.6 Provision for doubtful debts

The company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

2.7 Functional and presentation currency

These financial statements are prepared and presented in Pakistani rupees, which is the company's financial and presentation currency.

2.8 Changes / Amendments in Accounting Standards

2.8.1 Amendments to published approved standards that are effective in current year and are relevant to the company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2012:

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). Under the amendments to IAS 1, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments does not address which items are presented in OCI. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2.8.2 Interpretations and amendments to published approved standards that are effective in current year but not relevant to the company

There are other amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2012 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.8.3 Standards and amendments to published approved standards that are not yet effective but relevant to the company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2013 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting

requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments are not expected to have a material impact on the Company's financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2013). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements. Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 01 January 2013) provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 01 January 2014) provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that: an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss; requires additional disclosures; and require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements."

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009–2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial Instruments: Presentation', that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

2.8.4 Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

There are other amendments resulting from annual improvements project initiated by International Accounting Standards Board in May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements' and IAS 24 'Related Party Disclosures' that are considered relevant to the company's financial statements. These amendments are unlikely to have a significant impact on the company's financial statements and have therefore not been analyzed in detail.

2.8.5 Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2011 but are considered not to be relevant or do not have any significant impact on the company's financial statements and are therefore not detailed in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff retirement benefits

"Company operate an unfunded gratuity scheme (defined benefit plan) covering all eligible employees, payable at the cessation of employment. Gratuity is based on employees' last drawn salary. Provisions are to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. The most recent valuation was carried out on June 30, 2013 using the "Projected Unit Credit Method". The amount recognized in the balance sheet represents the present value of defined benefit obligations adjusted for unrecognized actuarial gains and losses. Cumulative unrecognized actuarial gains and losses at the end of the previous year which exceed 10% of the present value of the Company's gratuity obligations are recognized over the expected future service life time of the participating employees.

3.2 Taxation

Current

The charge for current tax is based on taxable income at current tax rates after considering the rebates and tax credits available, if any.

Deferred

"The company accounts for deferred taxation using the balance sheet liability method on all major temporary differences arising between the carrying value of assets and liabilities in the financial statements and corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences which are likely to reverse in the foreseeable future. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates

that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognized as income or expense in the profit and loss account except when it relates to items that are credited or charged to equity where it is included in equity."

3.3. Property, plant, equipment, Capital work-in-progress and depreciation

Owned

These are stated at cost or revalued amount less accumulated depreciation except free hold land and capital work-in-progress, which are stated at cost. Cost comprises acquisition and other directly attributable costs.

Land, building and plant and machinery have been valued on the basis of revaluation carried out on June 30, 2013 (Note 4). Depreciation is charged to profit and loss account applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life at the rate specified in the Note 4.1.

Depreciation on additions during the year is charged on pro-rata basis when the asset is available for use.

Similarly the depreciation on deletion is charged on pro-rata up to the period when the asset is derecognized.

The assets residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Gains and losses on disposal of property, plant & equipment are included in income in the year the assets are disposed off. Normal repair and maintenance and replacement is charged to income as and when incurred while major renewals and improvements are capitalized.

Depreciation on revaluation of property, plant & equipment has been charged in accordance with section 235 of the Companies Ordinance, 1984 as notified by SRO 45 (1)/2003 dated January 13, 2003.

Assets subject to finance lease

"The company accounts for assets under finance lease by recording the assets and the related liability. The amounts are determined on the basis of the lower of fair value of the assets and the present value of minimum lease payments. Financial charges are charged to profit and loss account using the internal rate of return method. Depreciation is charged at the rate as specified in the note 4.1, so as to write off the assets over their useful lives in view of certainty of ownership of the assets at the end of the lease term. The security deposit paid against lease arrangements will be adjusted at the end of the lease term."

3.4. Impairment of assets

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the estimated recoverable amount of that asset is determined and impairment losses are recognized in the profit and loss account, for the difference between recoverable and carrying amount.

3.5. Stores, spares and loose tools

These are valued at lower of moving average cost and net realizable value, except items in transit, which are stated at cost plus other charges incurred there on up to balance sheet date.

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

3.6. Stock in trade

These are valued at lower of cost and net realizable value except waste, which are valued at contract price. Cost is determined as under:

Raw material	Moving average cost.
Work in process and finished goods	Prime cost plus estimated production overheads. Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale.

3.7. Revenue recognition

Export sales are accounted for on shipment basis and resultant exchange differences on realization of export proceeds are adjusted in the income currently. Local sales are recorded on dispatch of goods to the customer. Export rebate is accounted for on accrual basis.

3.8. Provision

A provision is recognized in the financial statements when company has legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.9 Trade debts and other receivables

These are carried at original invoice amount less an estimate made for doubtful receivables based on review of the outstanding amounts individually at year end. Bad debts are written off when identified.

3.10 Financial instruments

Financial assets and liabilities are recognized at cost, which is fair value of the consideration given or received at the time when the company becomes a party to the contractual provisions of the instrument. The company de-recognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial assets or portion of financial asset. While a financial liability or part of financial liability is de-recognized from the balance sheet when, and only when, it is extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expired.

Any gain or loss on recognition and settlement of financial assets and liabilities is included in net profit or loss in the period in which it arises.

3.11 Long term deposits

These are stated at cost which represents the fair value of the consideration paid.

3.12 Trade and other payables

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

3.13 Borrowing cost

Borrowing costs are recognized as an expense in which these are incurred except to the extent these are directly attributable to acquisition, construction or production of qualifying assets, where these are added to the cost of those assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use/sale.

3.14 Foreign currency transaction

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing at the date of transaction or on the date when fair values are determined. All exchange differences are taken to profit and loss account.

3.15 Off setting of financial assets and liabilities

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

3.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at book value which approximates their fair values. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with bank on current, saving and deposit accounts, short term bank borrowings and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to in significant risk of change in value.

3.17 Related party transaction and transfer pricing

Transaction and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.

Parties are said to be related if they able to influence the operating and financial decisions of the company and vice versa.

f Property Plant and Equipment
 (property plant & equipment tangible)
 capital work in progress

June 30, 2012	June 30, 2013
514,787,145	231,716,091
514,787,145	231,716,091

4.1 Property plant & equipment-Tangible

Particulars	2012-2013									
	COST				RATE %	DEPRECIATION				Written Down Value 30-06-2013
	As on 01-07-2012	Additions (Deductions)	Revaluation Surplus	As on 30-06-2013		As on 01-07-2012	Adjustment	For the Period	As on 30-06-2013	
Land - Freehold Land	30,000,000	-	45,000,000	75,000,000.00	-	-	-	-	-	75,000,000
Building on										
Freehold Land	92,335,983	-	98,862,513	191,198,496	5.00	31,452,212	-	3,044,184	34,496,496	156,702,000
Plant & Machinery	256,152,957	(400,000)	148,594,202	405,047,164	6.25	120,846,386	(28,830)	8,475,611	119,321,797	275,725,367
Tools & Equipment	1,503,568	-	1,503,568	1,503,568	10.00	1,308,152	-	19,540	1,327,694	175,874
Tubewell & Pumps	311,921	-	311,921	311,921	10.00	298,310	-	3,361	301,671	20,250
Furniture & Fixture	2,530,932	-	2,530,932	2,530,932	10.00	1,956,338	-	57,459	2,013,797	517,135
Office Equipment	3,029,032	-	3,029,032	3,029,032	10.00	1,983,806	-	104,523	2,088,330	940,702
Vehicles	2,815,401	-	2,815,401	2,815,401	20.00	2,037,671	(600,136)	165,546	2,193,217	622,184
	388,999,794	-	292,456,716	681,456,510		159,882,977	-	11,860,026	171,743,003	509,713,506
Assets subject to finance lease										
Plant & Machinery	18,432,231	-	2,734,290	21,166,521	10.00	15,832,957	-	298,927	16,092,884	5,073,637
Amount June 30, 2012	407,432,025	-	295,191,006	702,623,031		173,715,934	-	12,119,052	187,835,886	514,787,145
Amount JUNE 30, 2013	408,253,452	(821,427)	-	407,432,025		163,017,738	(600,136)	13,302,334	175,715,934	231,716,091

PARTICULARS	2012									
	COST				RATE %	DEPRECIATION				Written Down Value 30-06-2012
	As on 01-07-2011	Additions (Deductions)	Revaluation Surplus	As on 30-06-2012		As on 01-07-2011	Adjustment	For the Year	As on 30-06-2012	
Land - Freehold Land	30,000,000	-	-	30,000,000	-	-	-	-	-	30,000,000
Building on										
Freehold Land	92,335,983	-	-	92,335,983	5	38,247,906	-	3,204,400	41,452,306	60,883,677
Plant & Machinery	256,852,957	(400,000)	-	256,452,957	6.25	111,814,784	(28,830)	9,054,105	110,846,386	145,606,571
Tools & Equipment	1,503,568	-	-	1,503,568	10	1,288,439	-	21,713	1,310,152	195,416
Tubewell & Pumps	311,921	-	-	311,921	10	294,576	-	3,735	298,310	23,611
Furniture & Fixture	2,530,932	-	-	2,530,932	10	1,897,494	-	63,844	1,961,338	574,594
Office Equipment	3,029,032	-	-	3,029,032	10	1,867,671	-	116,136	1,983,806	1,045,224
Vehicles	2,815,401	1,949,700	-	4,765,101	20	2,045,716	(202,077)	549,388	2,392,627	272,730
	389,821,221	(821,427)	-	388,999,794		147,469,589	(600,136)	13,013,528	159,882,977	229,116,816
Assets subject to finance lease										
Plant & Machinery	18,432,231	-	-	18,432,231	10	15,544,149	-	288,808	15,832,957	2,599,274
Amount 2012	408,253,452	(821,427)	-	407,432,025		163,017,738	(600,136)	13,302,334	175,715,934	231,716,091

4.1.1 Depreciation is allocated as under

	2012	2013
Cost of Sales	11,802,406	12,511,765
Administrative Expenses	317,527	719,569
	12,119,932	13,231,334

- 4.1.2 New revaluation of land, building on freehold land and plant & machinery was carried out by M/s Surval registered valuers by Pakistan Banks Association using the market value ascertained from the real estate agents in that area as on June 30, 2013 that produced a revaluation surplus of Rs. 295,191,006/-. Revaluation of land, building on freehold land and plant and machinery as on June 30, 2010 was carried out by M/s Spell Vision, registered surveyors and valuation consultants using market method and produced a revaluation surplus of Rs. 76,542,748/-.
- 4.1.3 Movement in revaluation surplus represents the incorporation of effect of incremental depreciation in accordance with the directives issued by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 45(1)/2003 dated January 13, 2003, which allowed adjustment of depreciation attributable to the incremental value, arising on revaluation of fixed assets for the current and prior years against the surplus on revaluation and unappropriated profit / accumulated loss through statement of changes in equity.
- 4.1.4 Revaluation between plant & machinery owned and leased has been apportioned on the basis of written down value as on June 30, 2013 before the revaluation.
- 4.1.5 Had there been no revaluation, the original cost, accumulated depreciation, and book value of revalued class of property, plant & equipment would have been as follows:

PARTICULARS	2013				
	COST AS AT 01-07-2012	ADDITIONS/ (DELETIONS)	COST AS AT 30-06-2013	ACCUMULATED DEPRECIATION	BOOK VALUE AS AT 30-06-2013
	Rupees	Rupees	Rupees	Rupees	Rupees
Building on freehold land	71,835,757	-	71,835,757	56,931,673	14,904,085
Plant and Machinery - Owned	330,402,638	-	330,402,638	262,884,381	67,518,257
Plant and Machinery - Leased	18,000,000	-	18,000,000	15,975,751	2,024,249
	<u>420,238,395</u>	<u>-</u>	<u>420,238,395</u>	<u>335,791,804</u>	<u>84,446,591</u>

PARTICULARS	2012				
	COST AS AT 01-07-2011	ADDITIONS/ (DELETIONS)	COST AS AT 30-06-2012	ACCUMULATED DEPRECIATION	BOOK VALUE AS AT 30-06-2012
	Rupees	Rupees	Rupees	Rupees	Rupees
Building on freehold land	71,835,757	-	71,835,757	56,147,297	15,688,510
Plant and Machinery - Owned	330,402,638	(400,000)	330,402,638	258,383,164	72,019,474
Plant and Machinery - Leased	18,000,000	-	18,000,000	15,750,834	2,249,166
	<u>420,238,395</u>	<u>(400,000)</u>	<u>420,238,395</u>	<u>330,281,245</u>	<u>89,957,150</u>

	June 30, 2013 Rupees	June 30, 2012 Rupees
5. STORES, SPARES AND LOOSE TOOLS		
Stores and spares	9,427,674	10,592,385
No stores, spares and loose tools were in transit at the balance sheet date. No stores, spares and loose tools were held for capitalization at the balance sheet date.		
6. STOCK IN TRADE		
Raw material	1,802,967	972,388
Work-in-process	852,499	254,580
Finished goods	1,549,159	7,250,510
	<u>6,004,625</u>	<u>8,477,478</u>
No stock in trade was in transit at the balance sheet date.		
7. TRADE DEBTS - Unsecured		
Considered good-Unsecured	8,872,157	7,365,537
Considered bad	<u>8,872,157</u>	<u>7,365,537</u>
Bad debts written-off	<u>-</u>	<u>-</u>
	<u>8,872,157</u>	<u>7,365,537</u>
8. LOANS AND ADVANCES		
Advances - considered good (Unsecured)		
To employees	845,349	839,323
To suppliers	705,246	9,422,200
Legal & professional charges	0	54,000
	<u>1,550,595</u>	<u>10,315,523</u>
B.1 No amount was due from chief executive and director as at balance sheet date (2012: nil).		
9. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Trade deposits:		
Security deposits	151,519	122,200
Short term prepayments:	2,553,042	-
Prepaid insurance	<u>2,704,561</u>	<u>12,205</u>
	<u>2,704,561</u>	<u>134,405</u>
	June 30, 2013 Rupees	June 30, 2012 Rupees
10. TAX REFUNDS DUE FROM THE GOVERNMENT		
Sales tax refundable	1,809,953	1,848,823
Federal excise duty refundable	-	-
Income tax refundable	<u>1,809,953</u>	<u>1,848,823</u>
11. CASH AND BANK BALANCES		
Cash in hand	7,556	21,897
Cash at bank (Current accounts in Pak Rupees)	55,210	5,431,209
	<u>62,766</u>	<u>5,453,106</u>
12. SHARE CAPITAL		
Authorized:		
(5,000,000 (2012: 15,000,000) ordinary shares of Rs. 10/= each)	<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid-up:		
(3,271,600 (2012: 13,271,600) ordinary shares of Rs. 10/= each fully paid in cash)	<u>32,716,000</u>	<u>132,716,000</u>



13. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Opening balance:			
Land freehold		24,626,022	24,626,022
Building on freehold land		43,572,531	46,116,072
Plant and machinery		62,325,187	66,620,496
Plant and machinery - leased		311,207	350,107
		130,834,947	137,713,497
Add: Assets revalued during the year			
surplus on assets:			
Land freehold		45,000,000	-
Building on freehold land		96,862,513	-
Plant and machinery - owned		148,594,203	-
Plant and machinery - leased		2,734,290	-
		293,191,006	-
Adjustments			
Depreciation on the incremental value arising on revaluation of property, plant and equipment:			
Current year:			
Land freehold		-	-
Building on freehold land		(2,178,627)	(2,544,341)
Plant and machinery		(3,895,324)	(4,295,309)
Plant and machinery - leased		(31,121)	(38,900)
		(6,105,072)	(6,876,550)
Related/Deferred tax liability		1,414,340	-
		421,335,221	130,834,947
		421,335,221	130,834,947

Revaluation of building, freehold land and plant and machinery as on June 30, 2013 produced a revaluation surplus of Rs. 293,191,006/- was credited to surplus on revaluation of fixed assets. Revaluation was carried out by Sorval, registered surveyors and valuation consultants using market value method.

Revaluation of building on freehold land and plant and machinery as on June 30, 2010 produced a revaluation surplus of Rs. 76,542,748/- which is credited to surplus on revaluation of fixed assets account. Revaluation was carried out by independent valuers M/s. Spell Vision, registered surveyors and valuation consultants using market value method for revaluation of assets.

Movement in Revaluation Surplus represents the incorporation of incremental depreciation in accordance with the directives issued by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 45(1)/2003 dated January 13, 2003, which allowed adjustment of depreciation attributable to incremental value, arising on revaluation of fixed assets for the current and prior years against the surplus on revaluation and unappropriated Profit/Accumulated loss through statement of changes in equity.

14. LONG TERM LOANS FROM BANKING COMPANIES: (Secured)

		June 30, 2013	June 30, 2012
		Rupees	Rupees
National Bank of Pakistan			
Demand finance - I	14.1	17,857,143	17,857,143
Demand finance - II	14.2	29,531,250	29,531,250
		47,388,393	47,388,393
Crescent Commercial Bank Limited (formerly PILCORP)			
	14.3	2,276,402	2,276,402
		49,664,795	49,664,795
Current portion			
National Bank of Pakistan			
Current portion	21	3,167,500	4,375,000
Overdue portion	21	45,200,893	41,919,643
		47,388,393	46,294,643
Crescent Commercial Bank Limited (formerly PILCORP)-overdue			
	21	2,276,402	2,276,402
		49,664,795	48,571,045
	14.4	-	1,093,750

14.1 Demand Finance-I

The limit under this facility is Rs.25,000 Million (2012: Rs.25,000 Million). Principal amount to be paid in 20 quarterly installments of Rs.892,857/- each for a period of 5 years starting from June 30, 2007 to March 31, 2012 through internal cash generation of the company. Principal installments for the quarters ended on 30-06-2007, 30-09-2007, 31-12-2007 and 31-03-2008 to be paid on immediate basis and markup on this facility to be paid from the date of transfer of Management i.e. 06-02-2008 by the company and its incoming directors. Markup is at SBPs discount rate with a floor of 7.5% p.a. (2012: SBPs discount rate with a floor of 7.5% p.a.) payable quarterly in case of default by the company in repayment of installments on due dates. Markup @ 3 months KIBOR + 3% (2008: Markup @ 3 months KIBOR + 3%) will be charged on the principal amount of installments for the period from due date till its repayment by the company to NBR. This facility was utilized to swap the long term loans of Bankers' Equity Limited.

(4.2 Demand Finance-II)

The limit under this facility is Rs.35,000 Million (2012: Rs.35,000 Million). Balance principal to be paid in 27 quarterly installments of Rs.1,093,750/- each for a period of 6.75 years starting from March 31, 2007 to September 30, 2013 through internal cash generation of the company. Principal installments of the quarters ended on 31-03-2007, 30-06-2007, 30-09-2007, 31-12-2007 & 31-03-2008 to be paid on immediate basis and markup on this facility to be paid from the date of transfer of Management i.e 06-02-2008 by the company and its incoming directors. Markup is at SBP's discount rate with a floor of 7.5% p.a (2012: SBP's discount rate with a floor of 7.5% p.a) payable quarterly. In case of default by the company in repayment of installments on due dates, Markup @ 3 months KIBOR + 3% (2008: Markup @ 3 months KIBOR + 3%) will be charged on the principal amount of installment for the period from due date till its repayment by the company to MBR. This facility was utilized for expansion in existing spinning unit and import of parts for upgradation of weaving unit.

The above mentioned Demand Finance-I and II facilities are secured against the following:

- First charge of Rs.220,000 Million on all the present/future fixed assets of the company.
- First pari passu charge of Rs.220,000 Million over all current assets of the company.
- Personal guarantee of directors of the company.

14.2 The company has entered into Supplemental Lease Agreement with Crescent Commercial Bank Limited (Formerly PILCORP) for the settlement of liability for which consent decree has also been obtained from the Banking Court, Lahore on November 04, 1999. Under the agreement the liability has to be settled in the following manner:

Total outstanding liability is as follows:

Crescent Commercial Bank Limited (Formerly PILCORP)	<u>2,276,402</u>	<u>2,276,402</u>
-----------------------------------------------------	------------------	------------------

The company has provided 309,350 shares valued at Rs.8/- per share as security for this amount. In terms of the consent decree the total amount of Rs.2,476,402/- will be paid by the company within 42 months that is on or before March 31, 2003 for the release of these shares. The company is in the process of rescheduling and has paid Rs.0.200 Million so far against the settlement of the liability.

15. LONG TERM LOAN FROM RELATED PARTIES - UNSECURED

		June 30, 2013 Rupees	June 30, 2012 Rupees
Loan from Sponsors/Members	15.1	<u>38,500,028</u>	<u>225,885,767</u>

(15.1) This represents unsecured, interest free arrangement by the sponsors/members of the company. These are not repayable in the foreseeable future.

16. DEFERRED LIABILITIES

Provision for Deferred Tax	16.1	19,867,769	-
Staff retirement benefits - Gratuity	16.2	<u>7,721,277</u>	<u>6,910,677</u>
		<u>27,589,046</u>	<u>6,910,677</u>

16.1 PROVISION FOR DEFERRED TAXATION

Taxable Temporary difference			
Accelerated Tax Depreciation Allowance		124,017,541	80,787,282
Deductible Temporary Difference			
Provision for gratuity		<u>(2,529,171)</u>	<u>(2,379,493)</u>
Total Taxable Difference		<u>126,546,712</u>	<u>83,166,775</u>
Effect of Accumulated Tax Losses		<u>106,678,943</u>	<u>98,251,720</u>
		<u>19,867,769</u>	<u>(15,084,945)</u>

Non-recognition of Deferred Tax Asset		<u>-</u>	<u>15,084,945</u>
		<u>19,867,769</u>	<u>-</u>

16.2 Staff retirement benefits (defined benefit plans)

Balance sheet liability at the beginning of the year		6,910,677	5,527,098
Amount recognized during the year		1,305,679	1,495,705
Amount paid during the year		(495,073)	(112,126)
Actuarial gain recognized during the year		-	-
Balance sheet liability at the end of the year		<u>7,721,277</u>	<u>6,910,677</u>

Present value of defined benefit obligation	16.3	6,439,454	6,049,513
Actuarial gains to be recognized in the later periods		<u>1,281,823</u>	<u>861,164</u>
		<u>7,721,277</u>	<u>6,910,677</u>



16.3 Present value of defined benefit obligation

Present value of defined benefit obligation at the beginning of the year	6,049,513	5,566,968
Interest cost for the year	786,437	779,376
Current service cost for the year	551,263	716,329
Benefits paid	(495,073)	(112,126)
Past service cost charge	-	-
Actuarial (Gain) / Loss on PVDBO	(452,686)	(190,034)
	<u>6,439,354</u>	<u>6,049,513</u>

The latest actuarial valuation for gratuity scheme was carried out on June 30, 2013 by M/s Nauman Associates under Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

	June 30, 2013	June 30, 2012
	Rupees	Rupees
Discount rate	10.59% p.a	13% p.a
Expected rate of salary increase in future years	9.5 % p.a	12% p.a
Average expected remaining working life time of employees	10 Years	8 Years

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

This arrangement was made with Crescent Commercial Bank Limited (formerly PILCORP). The period of lease repayment has expired and the entire liability is overdue as at June 30, 2013 as follows:

Overdue as at June 30, 2013	6,368,958	6,368,958
Year ending June 30, 2012	-	-
Overdue (2010 & 2011)	-	-
	<u>6,368,958</u>	<u>6,368,958</u>
Less: Financial charges overdue	2,276,402	2,276,402
Present value of minimum lease payment	4,092,556	4,092,556
Less: Current portion:		
Current portion	-	-
Overdue portion	4,092,556	4,092,556
	<u>4,092,556</u>	<u>4,092,556</u>

The reconciliation of minimum lease payments and their present value is as follows:

	Minimum lease payments		Present value of minimum lease payments June 2013	Present value of minimum lease payments June 2012
	June 2013	June 2012		
Overdue	6,368,958	6,368,958	4,092,556	4,092,556
Due within one year	-	-	-	-
Due more than one year but less than five years	-	-	-	-
	<u>6,368,958</u>	<u>6,368,958</u>	<u>4,092,556</u>	<u>4,092,556</u>

The lease was rescheduled on March 2004 on the revised terms as under:

The rate of interest used as discounting factor, implicit in lease is 35% (2012: 35%) per annum. Rentals are payable on monthly basis starting from September 2004. Taxes, repairs and insurance cost are to be borne by the lessee. Purchase options are available to the Company after payment of last installment and on surrender of lease deposits at the end of lease period. In case the lessee fails to pay the rentals on due dates, the lessee shall pay additional mark-up @ Rs. 1/- per thousand per day. It is secured against demand Promissory Note amounting to Rs.16,303 million, trust receipt for the total value of Financed Machinery, personal guarantees of Directors and Pledge of 174,000 shares of the Company.

18. TRADE AND OTHER PAYABLES

Creditors	19,230,534	24,999,378
Accrued expenses	17,439,056	17,267,272
Advances from customers	6,994,740	1,958,703
Other payable	19,968,309	17,894,171
Income tax payable	247,232	658,828
	<u>63,879,871</u>	<u>62,778,252</u>

19. ACCRUED MARK-UP

Accrued mark-up		46,774,451.00	44,176,223
Less: Derecognized during the year	29	12,833,838.00	-
		<u>33,940,613.00</u>	<u>44,176,223</u>

19.1 Accrued mark-up derecognized during the year represents mark-up payable on loans from National Bank of Pakistan.

19.2

The break-up of accrued mark-up is as follows:

On liabilities against assets subject to finance lease		2,163,459	2,163,459
On long term loans from banking company		28,977,260	27,178,621
On short term borrowings from banking company		2,799,894	14,834,143
		<u>33,940,613</u>	<u>44,176,223</u>

June 30, 2013 June 30, 2012

20. SHORT TERM BORROWINGS

From Banking Company: (SECURED)

National Bank of Pakistan

Trust receipt	20.1	19,848,336	19,848,336
Cash finance (Pledge)	20.2	4,671,962	4,671,962
		<u>24,520,298</u>	<u>24,520,298</u>

From related party (Director): (Unsecured)

	20.3	18,174,171	74,010,726
		<u>42,694,469</u>	<u>98,531,024</u>

Rupees Rupees

20.1 It has been obtained from National Bank of Pakistan (NBP) for working capital requirements of the company and represents 30 days facility available upto Rs.20,000 Million (2012: Rs.20,000 Million). It is secured against Trust receipt, First charge of Rs.220,000 Million on all the present/future fixed assets of the company, First pari passu charge of Rs.220,000 Million over all current assets of the company and personal guarantees of directors of the company. It carries mark up at the rate of 6 months Ask KIBOR + 2.00% p.a. with floor of 7.50% p.a. (2012: 6 months Ask KIBOR + 2.00% with a floor of 7.5% p.a and no cap) payable on quarterly basis. The credit limit has expired on 31-12-2008. While company continues to repay the principal amount alongwith the interest charged thereon.

20.2 It has been obtained from National Bank of Pakistan (NBP) for working capital requirements of the company and is available upto Rs.40,600 Million (2012: Rs.40,600 Million). It is secured against Lien on export LCs/firm contracts/orders in case of availment of packing finance, pledge of cotton bales, cotton yarn and grey cloth and personal guarantees of directors of the company. It carries mark up at the rate of 6 months Ask KIBOR + 2.00% p.a. with floor of 7.50% p.a. (2012: 6 months Ask KIBOR + 2.00% with a floor of 7.5% p.a) payable on quarterly basis. The credit limit has expired on 31-12-2008.

20.3 It is unsecured and interest free loan from director.

21. CURRENT PORTION OF LONG TERM LIABILITIES-(SECURED)

Current:

Long term loans from banking companies

- National Bank of Pakistan	14	2,187,500	4,375,000
- Liability against assets subject to finance lease	17	-	-
		<u>2,187,500</u>	<u>4,375,000</u>

Overdue:

Long term loans from banking companies

- National Bank of Pakistan	14	45,200,893	41,919,643
- Crescent Commercial Bank Limited (formerly PCLCORP)	14	2,276,402	2,276,402
		<u>47,477,295</u>	<u>44,196,045</u>
Liability against assets subject to finance lease	17	4,092,556	4,092,556
		<u>51,569,851</u>	<u>48,288,601</u>
		<u>53,757,351</u>	<u>52,663,601</u>

June 30, 2013 June 30, 2012
Rupees Rupees

22. CONTINGENCIES AND COMMITMENTS

Contingencies:

(a) Crescent Commercial Bank Limited has filed suit against the company before the Honorable Banking Court, Lahore for recovery of Rs 14,156,202/- as overdue lease rentals, late payment charges and other receivables. The company is in the process of rescheduling and has not incorporated mark-up, late payment charges and other recoverables in the books as the management is of the view that these charges would be waived off.

- (b) The company has filed suits against the EOBI, Punjab Employee Social Security Institution, Cotton Cess before the Honorable Civil Court, High Court and Labour Court against the aggregate disputed recovery for Rs. 1,165,416/-. The company has not incorporated this amount in the books as the management is of the view that this amount would be waived off.
- (c) The return for tax year 2003 was selected for audit U/S 177 of the income tax ordinance, 2001 and assessment was completed by reducing the refund to Rs. 8,902/- and ignored the claim of depreciation loss of Rs. 1,77,526,618/- and at present, the matter is pending for adjudication before ATR, and likely outcome would be in favour of the company.
- (d) The income tax department for the tax year 2004 has passed order U/S 221 of the income tax ordinance, 2001 by creating demand of Rs. 914,533/- and at present, the company appeal before commissioner Inland Revenue Appeal (CIRA) succeeded and remanded the case for fresh assessment. The concerned ACIT heard the case and the likely outcome of this order would be in the favour of the company and demand would be reduced to Rs. 112,887/.

Commitments:

There are no Commitments as at June 30, 2013 (2012: Nil)

		June 30, 2013 Rupees	June 30, 2012 Rupees
23. SALES			
Local:			
Fabric		59,969,688	45,794,738
Yarn		-	14,971,234
Conversion Income		75,580,112	50,137,957
Waste		1,309,720	5,862,806
		136,879,520	116,766,735
Less: Sales Tax		-	-
		<u>136,879,520</u>	<u>116,766,735</u>
24. COST OF SALES			
Raw material consumed	24.1	37,927,545	45,369,835
Salaries, wages and other benefits	24.2	33,555,695	22,888,962
Fuel and power		44,609,201	24,381,909
Stores and spares consumed		2,846,562	10,595,454
Doubling and sizing charges		37,317	471,854
Repair and maintenance		61,555	374,350
Traveling and Conveyance		2,605	289,119
Other overheads	24.3	322,103	1,139,272
Depreciation	41.1	11,802,426	12,572,766
		131,165,009	118,083,520
Work-in-process			
Opening stock		254,580	496,520
Closing stock		(652,499)	(254,580)
		<u>(397,919)</u>	<u>241,940</u>
Cost of goods manufactured		130,767,090	118,325,460
Finished goods			
Opening stock		7,250,510	(4,221,719)
Closing stock		(1,549,159)	(7,250,510)
		<u>5,701,351</u>	<u>6,971,209</u>
		<u>136,468,441</u>	<u>125,296,669</u>
24.1 RAW MATERIAL CONSUMED			
Opening stock		972,388	841,353
Purchases including expenses		41,288,124	45,500,870
Available for consumption		42,260,512	46,342,223
LESS: Purchase Returns		(530,000)	-
Closing stock		(3,802,967)	(972,388)
		<u>37,927,545</u>	<u>45,369,835</u>

24.2 Salaries, wages and benefits include Rs. 958,494 (2012: 1,058,788) in respect of staff retirement benefits.

24.3 These figures have been regrouped for the fair presentation of the financial statements.

		June 30, 2013 Rupees	June 30, 2012 Rupees
25. DISTRIBUTION COST			
Salaries and benefits	25.1	120,450	484,839
Freight, clearing and forwarding		-	33,050
Travelling		24,200	20,000
Commission		76,020	230,402
Others		35,133	3,571
		<u>255,803</u>	<u>771,862</u>
<i>25.1 Salaries and benefits include Rs. Nil (2012: Nil) in respect of staff retirement benefits.</i>			
26. ADMINISTRATIVE EXPENSES			
Directors' remuneration		1,566,240	1,575,966
Salaries and benefits	26.1	2,666,562	2,862,397
Travelling and conveyance		435,165	180,672
Entertainment		218,728	317,397
Printing and stationery		88,150	128,743
Communication		258,768	489,498
Repairs and maintenance		506,174	311,360
Rent, rates and taxes		942,600	380,000
Electricity, oil gas and water		806,442	1,169,474
Fee and subscription		465,450	189,700
Legal and professional charges		1,023,250	704,000
Advertisement		-	48,000
Auditors' remuneration	26.2	280,000	280,000
General		98,001	125,370
Depreciation		317,527	729,567
		<u>9,673,057</u>	<u>9,492,144</u>
<i>26.1 Salaries and benefits include Rs. 347,179 (2012: 436,917) in respect of staff retirement benefits.</i>			
26.2 AUDITORS' REMUNERATION			
Statutory audit		250,000	250,000
Tax consultancy		30,000	30,000
		<u>280,000.00</u>	<u>280,000</u>
		June 30, 2013 Rupees	June 30, 2012 Rupees
27. OTHER OPERATING INCOME			
Other income			
Sale of miscellaneous items		-	204,562
		<u>-</u>	<u>204,562</u>
28. FINANCE COST			
Mark-up on short term borrowings		-	3,840,195
Mark-up on long term loans		2,598,228	6,658,858
Bank charges		248,362	216,536
		<u>2,846,590</u>	<u>10,715,589</u>
29. DERECOGNITION OF FINANCIAL LIABILITIES			
Creditors written off		-	4,974,048
Accrued mark-up	19	12,833,838	-
		<u>12,833,838</u>	<u>4,974,048</u>

30. TAXATION

Current	30.1	684,398	1,169,712
Provision for deferred tax	16.1	19,867,769	-
Prior periods			107,070
		<u>20,552,167</u>	<u>1,276,782</u>

30.1 Minimum tax liability has been provided for in these accounts based on liability worked out under section 113 or under sections 154 and 153 of the Income Tax Ordinance, 2001, whichever of these liabilities is higher (2012: Provision of section 113 was applicable under the Income Tax Ordinance, 2001). The Income Tax Returns of the company have been filed upto Tax year 2012.

The returns from Tax year 2003 to Tax year 2012 were filed under universal self assessment scheme. Return for the Tax year 2003 was selected for total audit u/s 177 and assessment was completed by reducing the income tax refund from Rs.408,785/- to Rs.8,902/-. The returns from Tax year 2004 to Tax year 2012 are deemed to be assessed as declared except that the assessments for Tax year 2005 and Tax year 2006 have been recuffed/amended u/s 221/122 of the Income Tax Ordinance, 2001 and demands are outstanding for year 2004 amounting to Rs.914,533/- the company has filed appeal before Commissioner Income tax Appeal and case is still pending.

31. EARNING / (LOSS) PER SHARE

		June 30, 2013 Rupees	June 30, 2012 Rupees
31.1 Earning / (loss) per share - Basic			
Net Profit / (loss) after taxation	(Rupees)	(20,082,701)	(14,350,547)
Weighted average number of ordinary shares	(No. of shares)	<u>13,271,600</u>	<u>13,271,600</u>
Earning / (loss) per share	(Rupees)	<u>(1.51)</u>	<u>(1.08)</u>

31.2 Earning per share - Diluted

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

32. CASH AND CASH EQUIVALENTS

Cash and bank balances	11	62,766	5,453,106
Short term borrowings from banking company	20	<u>(24,520,298)</u>	<u>(24,520,298)</u>
		<u>(24,457,532)</u>	<u>(19,067,192)</u>

33. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors and key management personnel. Amounts due to / from related parties are shown in the relevant notes to the financial statements. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

Long term loan from related parties - net (Note No.15)	38,500,028	
Due to related party (Director) - net (Note No.20.3)	(8,174,171)	74,010,726

All transactions with related parties are at an arm's length

34. PLANT CAPACITY AND PRODUCTION

WEAVING

Looms installed	Nos.	60	60
Looms worked	Nos.	60	46
Production at normal capacity converted to 50 picks - 3 shifts per day	Sq. Mtrs.	6,567,185	6,568,175
Actual production at normal capacity converted to 50 picks - 2 (2012: 2) shifts per day	Sq. Mtrs.	1,967,452	351,352

SPINNING

Rotors installed	Nos.	1,176	1,176
Rotors worked for the year	Nos.	1,176	1,176
Rated capacity converted to 10 count based on 3 shifts per day	Lbs.	7,738,000	7,738,000
Actual production converted to 10 count based on 2 (2012: 2) shifts per day	Lbs.	2,048,303	1,334,000

- It is difficult to determine precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, rotors' speed, twists, width and construction of cloth woven etc. It also vary according to pattern of production.
- Weaving unit of the company has produced less than normal cloth due to the fact that third party cloth was produced on conversion basis as the market demand of yarn is comparatively better, while production of yarn has been increased. Production was highly dependent on the availability of orders. Moreover, some looms remained closed due to technical faults which have now been removed.
- Average number of workers for the year

340 319

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements, in respect of Chief Executive, Directors and Executives by the company as remuneration, allowances and perquisites is as follows:

PARTICULARS	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2013 RUPEES	2012 RUPEES	2013 RUPEES	2012 RUPEES	2013 RUPEES	2012 RUPEES
Managerial remuneration	1,200,000	1,200,000	366,240	375,966	-	-
House rent allowance/utilities	-	-	-	-	-	-
	1,200,000	1,200,000	366,240	375,966	-	-

There are two directors to whom remuneration have been paid

35.1 Some of the Directors and Executives of the Company are provided free use of Company maintained car and telephone.

35.2 No meeting fee has been paid to Directors for attending meetings of Board of Directors.

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 16.

Due to the Company's long standing business relationships 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. Accordingly the credit risk is minimal.

(c) Liquidity risk

It is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity by arranging sufficient cash balances from directors and financial institutions to ensure availability of sufficient funds to meet its liabilities when due. The following are the contractual maturities of financial liabilities, including interest payments:

2013			
Carrying amount	Contractual cash flows	Upto one year	After one year

(Amount in rupees)

FINANCIAL LIABILITIES

Long term loans from banking companies	-	-	-	-
Liability against asset:				
subject to finance lease	4,092,556	6,368,958	6,368,958	-
Trade and other payables	63,879,870	63,879,870	-	-
Accrued markup	33,940,613	33,940,613	33,940,613	-
Short term borrowings	42,694,469	42,694,469	42,694,469	-
	<u>144,607,508</u>	<u>146,883,910</u>	<u>83,004,040</u>	<u>-</u>

2012			
Carrying amount	Contractual cash flows	Upto one year	After one year

(Amount in rupees)

FINANCIAL LIABILITIES

Long term loans from banking companies	49,664,795	65,669,407	64,575,675	1,093,750
Liability against asset:				
subject to finance lease	4,092,556	6,368,958	6,368,958	-
Trade and other payables	60,160,721	60,160,721	-	-
Accrued markup	44,176,223	44,176,223	44,176,223	-
Short term borrowings	98,531,024	98,531,024	98,531,024	-
	<u>256,625,319</u>	<u>274,906,333</u>	<u>213,651,880</u>	<u>1,093,750</u>

The contractual cash flows relating to above liabilities have been calculated on the basis of mark-up rates effective on June 30, 2013. The rates of interest/markup have been disclosed in Note No. 14, 17 and 20 to these financial statements.

36.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

37. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt. Consistent with others in industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by the total capital employed. Borrowings represents long term financing and short term borrowings obtained by the Company as referred to in Note No.14, 15, 20 and 21. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'.

As on the balance sheet date, the gearing ratio of the Company was as under:-

		2013	2012
Borrowings	Rupees	134,951,848	378,174,142
Total equity	Rupees	(115,195,012)	(346,970,920)
Total capital employed	Rupees	19,756,836	31,203,222
Gearing ratio	%	683.06	1,211.97

38. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 9th October, 2013 by the board of directors of the company.

39. GENERAL

Corresponding figures have been re-arranged/re-grouped, wherever necessary, for the purpose of comparison.

CHIEF EXECUTIVE

DIRECTOR