Mission Statement

The Mission of Sally Textile Mills Limited is to be the finest organization, and to conduct business responsibly and in a straight forward way.

Our basic aim is to benefit the customers, employees and shareholders and to fulfill our commitments to the society.

Our hallmark is honesty, innovation, teamwork of our people and our ability to respond effectively to change in all aspects of life including technology, culture and environment.

We will create a work environment, which motivates, recognizes and rewards achievements at all levels of the organization because

In Allah We Believe & In People We Trust

We will always conduct ourselves with integrity and strive to be the best

CONTENTS

Company Information

Board Of Directors

Mian Iqbal Salahuddin	Chief Executive Officer
Mst. Munira Salahuddin	
Mian Yousaf Salahuddin	
Mian Asad Salahuddin	
Mian Sohail Salahuddin	
Sheikh Abdul Salam	
Syed Abid Raza Zaidi	

Audit Committee

Sheikh Abdul Salam	Chairman
Mian Asad Salahuddin	Member
Mian Sohail Salahuddin	Member
Syed Abid Raza Zaidi	Secretary

Human Resources & Remuneration Committee

Sheikh Abdul Salam	Chariman
Mst. Munira Salahuddin	Member
Mian Sohail Salahuddin	Member

Chief Financial Officer

Mr. Hasan Shahnawaz

Company Secretary

Syed Abid Raza Zaidi

Auditors

M/s Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Bankers

National Bank Of Pakistan
Habibmetropolitan Bank Limited
KASB Bank Limited
Meezan Bank Limited
Habib Bank Limited

Registered Office

4-F, Gulberg II, Lahore.
Phones : (042) 35754371, 35754373
E-mail : sallytex@hotmail.com
Fax : (042) 35754394

Mills

Muzaffargarh Road, Jauharabad
Phones: (0454) 720645, 720546, 720311

Vision and Mission Statement

Vision

To achieve consistent superior performance in all respects, provide quality products to our valued customer and run the company purely on professional grounds

Mission

- Continuous improvement in total quality performance by achieving high standards in our products and providing these to our customers without error, on time and every time.
- We are dedicated to supply the product of highest quality and standards, yet at a reasonable cost for our national and international customer's satisfaction.
- All of our commitments, actions and products must be recognized as an expression of quality.
- We are committed to improve our skills and know-how, competency, practical experience and training of employees by implementing quality system.
- We continuously improve the performance of quality standards through practical participation of our employees at all levels.
- Our mission is to meet National and International Standards, Customers' Satisfaction and Continuous Improvements in our standards through use of latest methods and employees satisfaction.

Statement of Ethics and Business Practices

We believe that a complete code of ethics is essential for the maintenance of integrity and professionalism in the day-to-day functioning of Sally Textile Mills Limited. We always place the Company's interest first through resource management namely human, financial and other infra structural facilities and to ensure reasonable return to all the shareholders. Conduct business as a responsible and law abiding corporate member of society to achieve its legitimate commercial objective and supports unconditionally the Compliance with best Practices of Corporate Governance for the betterment of corporate culture. We develop and observe cost effective practices in our activities and strive for excellence and quality. We encourage initiative and self-realization in employees through meaningful empowerment.

Notice of Annual General Meeting

Notice is hereby given that 45th Annual General Meeting of the company will be held on Thursday 31st October, 2013 at 10:00 a.m. at Four Seasons Hall, 34-Shahrah-e-Fatima Jinnah, Queens Road, Mozang, Lahore to transact the following business.

1. To confirm the minutes of 44th Annual General Meeting held on 30-10-2012.
2. To receive and adopt the audited accounts of the company along with the Directors and auditor's report for the year ended June 30, 2013.
3. To discuss and approve the contracts / agreements made during the year with suppliers and other parties.
4. To appoint the auditors and fix their remuneration for the next financial year 2013-2014.
5. To approve and declare the final dividend of Rs. 1 (10%) per share as recommended by the Board of Directors and the Rs. 1 (10%) per share interim dividend already announced and paid in April, 2013 making a total dividend of Rs. 2 (20%) per share for the year ended June 30, 2013.
6. Any other matter with the permission of the chair.

By the order of the Board

(SYED ABID RAZA ZAIDI)
Company Secretary

Date : October 10, 2013
Place : LAHORE

NOTES:

I. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not later than 48 hours before commencement of the meeting.

II. The Proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

III. Attested copies of NIC / Passport of the beneficial owners and the proxy shall be furnished with the proxy form.

IV. The proxy shall produce his original NIC/Passport at the time of the meeting.

V. The shares transfer books of the company will remain closed for fifteen days from 30-10-2013 to 13-11-2013 (both days inclusive). Physical transfers / CDS transaction IDS received in order at Shares Registrar of the Company M/S Scarlet IT Systems (Pvt) Ltd 24, Ferozepur Road, Near Mozang Chungi, Lahore, upto October 29, 2013, will be considered in time.

VI. Members whose shares are deposited with Central Depositary System (CDS) are requested to bring their National Identity Card (NIC) along with their Account Number in CDS for verification. In case of corporate entity, the Board of Directors Resolution / Power of Attorney with specimen signatures of the nominee shall be produced (unless provided earlier) at the time of meeting.

VII. Members are advised to notify change in their address, if any, to Shares Registrar of the Company.

Key Operating and Financial Data

	2013	2012	2011	2010	2009	2008	2007
	Rupees in million						
OPERATING PERFORMANCE							
Sales	3647	2887	2843	1746	1181	1076	882
Gross profit	376	241	304	257	70	111	57
Profit / (loss) before tax	187	98	248	146	4	23	(8)
Tax	51	62	29	11	-	5	4
Profit / (loss) after tax	136	36	219	135	4	18	(12)
FINANCIAL POSITION							
Assets							
Non-current assets	1050	995	862	759	550	556	511
Current assets	757	670	606	447	367	476	217
Total assets	**1807**	**1665**	**1468**	**1206**	**917**	**1032**	**728**
Equity & liabilities							
Share capital & reserves	353	211	166	(52)	(190)	(198)	(218)
Surplus on revaluation	262	277	196	203	87	91	93
Total equity	615	488	362	151	(103)	(107)	(124)
Non-current liabilities	391	352	260	352	244	236	271
Current liabilities	801	825	846	703	776	903	582
Total liabilities	1192	1,177	1,106	1,055	1,020	1,139	853
Total	**1807**	**1665**	**1468**	**1206**	**917**	**1032**	**728**

Directors' Report

The Directors of **Sally Textile Mills Limited** ("the Company") are pleased to present 45th annual report of the Company together with audited accounts and auditor's report thereon for the year ended June 30, 2013.

Overview

The textile spinning industry faced many challenges during the period under review. Extensive load shedding and limited gas supply adversely affected the production capacities of the industry. Moreover sluggish economic growth, deteriorating law & order situation coupled with increasing cost of electricity and gas have made yarn prices uncompetitive in the international arena. Many units in the sector faced financial difficulties and continue to face challenges in order to keep their companies' afloat.

Performance review

Despite unfavorable macroeconomic conditions your company has been able to achieve its targets and has successfully maintained and grown its earnings as compared to the previous financial year. The Company achieved sales turnover of Rs. 3,647 million as compared to Rs. 2,888 million last year. The Company was able to post gross profit of Rs. 376 million as compared to Rs. 241 million the corresponding year showing an impressive growth of over 56%.

The directors of the Company expresses their satisfaction over the progress and continue to show determination for further improvements and expansion.

The financial results in a summarized form are given hereunder:

Description	June 30, 2013 Rs. in million	June 30, 2012 Rs. in million
Turnover - net	3,646.82	2,887.50
Gross Profit	375.99	241.08
Profit before tax	187.02	98.21
Profit after tax	136.47	35.93

Earnings per Share

The earning per share of your company for the year ended June 30, 2013 is PKR.15.55 (June 30, 2012 PKR.4.09).

Dividend

The Company has already paid interim dividend of 10% i.e. Re. 1.00 per share. The board of directors is pleased to recommend further cash dividend of 10% i.e. Re. 1.00 per share making the final dividend of 20% for the year for onward approval of shareholders at the forthcoming annual general meeting.

Balance Sheet

Balance sheet footing has increased to Rs. 1,807 million (2012: Rs. 1,665 million). The liquidity position of the Company also improved as compared to last year. Further total shareholder's fund has also been increased as compared to last year.

Cash Flow Management

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

Business, Risk, Challenges and Future Outlook

Despite change in government, the industry is still facing energy crises and it seems that this power shortage will continue to hit the industry in the coming years. Increasing trend in the power tariff will lead to increase in cost of production. In addition, State Bank of Pakistan's decision to tighten the MPR will also affect business negatively, raising their financial costs and hence lowering already shrinking margins It is expected that inflationary pressure will continue to rise in the coming year which may necessitate further increase in the discount rate by the Regulator. Another factor that remains to be a key variable is the fluctuating price and quality of cotton. Inability on part of the industry to source cotton timely and effectively may hamper export sales in the next financial year.

Corporate Social Responsibility (CSR)

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

Health Safety and Environment

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

Financial Statements

The Financial statements for the year ended June 30, 2013 were approved by the Board of Directors on October 09, 2013 and authorized for their issuance. Operating and financial data of last seven years is annexed.

Code of corporate governance

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their listing regulations, relevant for the year ended June 30, 2013 have been adopted by the company and have been duly complied with. Statement to this effect is annexed to the report.

Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately.

No trade in the shares of company was carried out by CEO, CFO and Company Secretary and their spouses and minor children except those that have been duly reported as per law.

Board Meeting and Attendance

During the year four meetings of the Board of Directors of the company were held attendance by each director is narrated below:-

Sr. No	Name	Attendance
1.	Mian Iqbal Salahuddin	4
2.	Mian Yousaf Salahuddin	4
3.	Mian Asad Salahuddin	4
4.	Mst. Munira Salahuddin	4
5.	Mian Sohail Salahuddin	4
6.	Sh. Abdul Salam	4
7.	Syed Abid Raza Zaidi	4

Audit Committee Meeting and Attendance

During the year four meetings of the audit committee of the company were held; attendance by each member is as under.

Sr. No	Name	Attendance
1.	Sh. Abdul Salam	4
2.	Mian Asad Salahuddin	4
3.	Mian Sohail Salahuddin	4

HR and Remuneration Committee

During the year, one meeting of HR and Remuneration Committee of the company was held; attendance by each member is as under.

Sr. No	Name	Attendance
1.	Mian Iqbal Salahuddin	1
2.	Mst. Munera Salahuddin	1
3.	Mian Sohail Salahuddin	1

Auditors

The present auditors M/S. Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountants retire and being eligible offer themselves for re-appointment as auditors of the company for the year 2013-14. The audit committee has recommended the appointment of aforesaid auditors M/S. Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountants, as external auditor for the year ended June 30, 2014. The External auditors, M/S. Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountants have been given satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan and the firm and its entire partner are in compliance with the International Federation of Accountants' guidelines on the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

Acknowledgement

Yours directors record with appreciation, the efforts of the company's managers, technicians, staff and workers who have vigorously to meet the target. Your directors also extent their appreciation to the company's banker, buyers and suppliers for extending their cooperation.

For and on behalf of the Board

MIAN IQBAL SALAHUDDIN
Chief Executive Officer

Lahore : October 09, 2013

Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2013

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

The company has applied the principles contained in the Code of Corporate Governance in the following manner:

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

Category	Names
Independent Director	Sheikh Abdul Salam
Executive Directors	Mian Iqbal Salahuddin
	Mian Yousaf Salahuddin
	Syed Abid Raza Zaidi
Non-Executive Directors	Mst. Munira Salahuddin
	Mian Asad Salahuddin
	Mian Sohail Salahuddin

   The independent directors meets the criteria of independence under clause i (b) of the Code of Corporate Governance

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the board on July 13, 2013 was filled up by the directors within same day.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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

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

9. The board has applied for certification to the institution that meet the criteria specified by SECP for training programs for its directors during the year. The training has not yet commenced.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

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

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

14. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.

15. The board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors and the chairman of the committee is an independent director.

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

17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a executive director.

18. The board has set up an effective internal audit function

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

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

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

For and on behalf of the Board

MIAN IQBAL SALAHUDDIN
Chief Executive Officer

Lahore : October 09, 2013

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 **SALLY TEXTILE MILLS LIMITED** ("the Company") to comply with the listing regulation No. 35 of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed.

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

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

There were no related party transactions falling within the ambit of the Sub-Regulation (x) of the Listing Regulation 35 of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed other than loan obtained from sponsors and rent paid to director.

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

Without qualifying our conclusion we draw attention to paragraph 9 of the statement of compliance with best practices contained in the Code of Corporate Governance.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

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

Date: ***October 09, 2013***
Place: ***Lahore***

Auditor's Report to the Members

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

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

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

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

b) in our opinion-

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

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

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

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

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980.), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

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

Date: ***October 09, 2013***
Place: ***Lahore***

Balance Sheet
as at June 30, 2013

	Note	2013	2012
		Rupees	*Rupees*
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
20,000,000 ordinary shares of Rs. 10 each		**200,000,000**	200,000,000
Issued, subscribed and paid-up capital	5	**87,750,000**	87,750,000
Accumulated profit		**265,441,409**	123,006,663
TOTAL EQUITY		**353,191,409**	210,756,663
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	6	**262,486,457**	277,219,445
LOAN FROM SPONSORS - UNSECURED	7	**144,847,485**	128,183,615
NON-CURRENT LIABILITIES			
Long term finances - *Secured*	8	**-**	12,625,469
Employees retirement benefits	9	**87,054,828**	51,647,765
Deferred taxation	10	**159,266,653**	159,746,835
		246,321,481	224,020,069
Current liabilities			
Current portion of non-current liabilities	11	**21,801,949**	24,055,273
Short term borrowings - *Secured*	12	**425,215,608**	491,758,784
Accrued interest/mark-up		**13,301,463**	16,902,435
Current taxation	13	**23,054,370**	3,234,183
Trade and other payables	14	**317,443,284**	289,243,622
		800,816,674	825,194,297
TOTAL LIABILITIES		**1,047,138,155**	1,049,214,366
CONTINGENCIES AND COMMITMENTS	15	**-**	-
TOTAL LIABILITIES		**1,807,663,506**	1,665,374,089

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore
Date : October 09, 2013

MIAN IQBAL SALAHUDDIN
Chief Executive

	Note	2013	2012
		Rupees	*Rupees*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**1,038,842,206**	985,081,909
Long term deposits - *Unsecured, Considered good*	*17*	**11,243,604**	10,597,914
		1,050,085,810	995,679,823
CURRENT ASSETS			
Stores, spares and loose tools	*18*	**44,805,907**	30,652,888
Stock in trade	*19*	**477,252,489**	455,881,888
Trade debts	*20*	**175,991,238**	97,451,611
Advances, prepayments and other receivables	*21*	**38,679,546**	69,697,587
Current tax asset	*13*	**-**	-
Cash and bank balances	*22*	**20,848,516**	16,010,292
		757,577,696	669,694,266
TOTAL ASSETS			
		1,807,663,506	1,665,374,089

MIAN YOUSAF SALAHUDDIN
Director

Profit and loss account
for the year ended June 30, 2013

	Note	2013	2012
		Rupees	*Rupees*
Turnover - *net*	*23*	**3,646,821,259**	2,887,502,879
Cost of sales	*24*	**(3,270,825,717)**	(2,646,420,617)
Gross profit		**375,995,542**	241,082,262
Selling and distribution expenses	*25*	**(42,989,484)**	(15,771,267)
Administrative and general expenses	*26*	**(43,697,219)**	(38,739,380)
		(86,686,703)	(54,510,647)
Other operating income	*27*	**745,603**	2,706,436
Operating profit		**290,054,442**	189,278,051
Finance cost	*28*	**(59,658,879)**	(61,854,355)
Notional interest	*29*	**(21,830,062)**	(18,950,953)
Other charges	*30*	**(21,542,795)**	(10,253,205)
Profit before taxation		**187,022,706**	98,219,538
Taxation	*31*	**(50,545,948)**	(62,286,401)
Profit after taxation		**136,476,758**	35,933,137
Earnings per share - *basic and diluted*	*32*	**15.55**	4.09

The annexed notes 1 to 46 form an integral part of these financial statements.

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : October 09, 2013

Statement of profit or loss and other comprehensive Income

for the year ended June 30, 2013

	Note	2013	2012
		Rupees	*Rupees*
Items that may be reclassified subsequently to profit or loss		**-**	-
Items that will not be reclassified to profit or loss			
Incremental depreciation	*6*	**22,666,135**	20,117,055
Other comprehensive income before taxation		**22,666,135**	20,117,055
Taxation	*6*	**7,933,147**	7,040,969
Other comprehensive income after taxation		**14,732,988**	13,076,086
Profit after taxation		**136,476,758**	35,933,137
Total comprehensive income		**151,209,746**	49,009,223

The annexed notes 1 to 46 form an integral part of these financial statements.

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : October 09, 2013

Cash flow statement

for the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	**302,028,346**	241,982,256
Payments for:			
Employees retirement benefits		**(8,736,547)**	(3,757,132)
Interest/markup on borrowings		**(61,901,957)**	(79,964,132)
Income tax		**(31,205,943)**	(20,382,944)
Dividend on ordinary shares		**(6,600,000)**	(800,000)
Net cash generated from operating activities		**193,583,899**	137,078,048
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(103,919,014)**	(34,413,857)
Proceeds from disposal of property, plant and equipment		**1,761,500**	-
Net cash used in investing activities		**(102,157,514)**	(34,413,857)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finances		**(20,044,985)**	(20,976,138)
Net decrease/(increase) in short term borrowings		**(66,543,176)**	(62,871,683)
Loan from sponsors repaid		**-**	(8,252,510)
Net cash used in financing activities		**(86,588,161)**	(92,100,331)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,838,224**	10,563,860
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR		**16,010,292**	5,446,432
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	34	**20,848,516**	16,010,292

The annexed notes 1 to 46 form an integral part of these financial statements.

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : October 09, 2013

Statement of changes in equity

for the year ended June 30, 2013

	Issued subscribed and paid-up capital	Accumulated profit	Total equity
	Rupees	*Rupees*	*Rupees*
Balance as at July 01, 2011	87,750,000	78,384,940	166,134,940
Comprehensive income			
Profit after taxation	-	35,933,137	35,933,137
Other comprehensive income	-	13,076,086	13,076,086
Total comprehensive income	-	49,009,223	49,009,223
Transaction with owners			
Final dividend @ 5% i.e. Rs. 0.5 per ordinary share	-	(4,387,500)	(4,387,500)
Balance as at June 30, 2012	87,750,000	123,006,663	210,756,663
Comprehensive income			
Profit after taxation	**-**	**136,476,758**	**136,476,758**
Other comprehensive income	**-**	**14,732,988**	**14,732,988**
Total comprehensive income	**-**	**151,209,746**	**151,209,746**
Transaction with owners			
Interim dividend @ 10% i.e. Rs. 1 per ordinary share	**-**	**(8,775,000)**	**(8,775,000)**
Balance as at June 30, 2013	**87,750,000**	**265,441,409**	**353,191,409**

The annexed notes 1 to 46 form an integral part of these financial statements.

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : October 09, 2013

Notes to and forming part of financial statements
for the year ended June 30, 2013

1 REPORTING ENTITY

Sally Textuile Mills Limited ('the Company') is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange Limited and Lahore Stock Exchange Limited. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at 4 F, Gulberg II, Lahore. The manufacturing facility, including the power generation unit, is located at Joharabad District Khushab in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employee retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgements, estimates and assumptions

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

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

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

2.3.2 Recoverable amount of assets/cash generating units and impairment

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

2.3.3 Taxation

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

2.3.4 Provisions

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

2.3.5 Obligation under defined benefit plan

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

2.3.6 Revaluation of property, plant and equipment

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

2.4 Functional currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

3.1.1 Operating fixed assets

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

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

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

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

3.1.2 Capital work in progress

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

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

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

3.3 Stores, spares and loose tools

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

3.4 Stock in trade

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

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

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

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

3.5 Employee benefits

Short-term employee benefits

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

Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss. The amount recognized on balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains or losses. Actuarial gains or loss are recognized when these arise. The details of the scheme are referred to in note 9 to the financial statements.

3.6 Financial instruments

3.6.1 Recognition

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

3.6.2 Classification

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

3.6.2(a) Loans and receivables

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

3.6.2(b) Financial liabilities at amortized cost

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

3.6.3 Measurement

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

3.6.4 De-recognition

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

3.6.5 Off-setting

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

3.7 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

3.8 Loans and borrowings

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

3.9 Trade and other payables

3.9.1 Financial liabilities

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

3.9.2 Non-financial liabilities

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

3.10 Provisions and contingencies

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

3.11 Trade and other receivables

3.11.1 Financial assets

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

3.11.2 Non-financial assets

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

3.12 Revenue

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

Revenue from different sources is recognized as follows:

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

Interest income is recognized using effective interest method.

3.13 Comprehensive income

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

3.14 Borrowing costs

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

3.15 Income tax

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

3.15.1 Current taxation

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

3.15.2 Deferred taxation

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

3.16 Earnings per share ('EPS')

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

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

3.17 Cash and cash equivalents

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

3.18 Foreign currency transactions and balances

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

3.19 Impairment

3.19.1 Financial assets

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

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

3.19.2 Non-financial assets

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

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

3.20 Dividend distribution to ordinary shareholders

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

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

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

Fourth Schedule to the Companies Ordinance, 1984

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

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

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

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

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

5.1 New and Revised Approved Accounting Standards and Interpretations

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

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

IFRS 10 - Consolidated Financial Statements (2011)

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

IFRS 11 - Joint Arrangements (2011)

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

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

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

IFRS 13 - Fair Value Measurement (2011)

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

IAS 19 - Employee Benefits (Revised 2011)

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

IAS 27 - Separate Financial Statements (Revised 2011)

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

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

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

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

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

IFRIC 21 - Levies (2013)

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

5.2 Amendments to Approved Accounting Standards and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IAS 1 - Presentation of Financial Statements

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

IAS 16 - Property, Plant and Equipment

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

IAS 32 - Financial Instruments: Presentation

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

IAS 34 - Interim Financial Reporting

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

		Note	**2013**	2012
			Rupees	*Rupees*
5	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**			
	8,775,000 (2012: 8,775,000) ordinary shares of Rs. 10 each issued for cash		**87,750,000**	87,750,000
6	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**			
	As at beginning of the year		**277,219,445**	196,092,587
	Surplus recognized during the year			
	Surplus on revaluation		**-**	144,927,606
	Deferred taxation		**-**	(50,724,662)
			-	94,202,944
	Incremental depreciation recognized in other comprehensive income			
	Incremental depreciation for the year		**(22,666,135)**	(20,117,055)
	Deferred taxation		**7,933,147**	7,040,969
			(14,732,988)	(13,076,086)
	As at end of the year		**262,486,457**	277,219,445
7	**LOAN FROM SPONSORS - UNSECURED**			
	Loan from sponsors		**212,471,950**	212,471,950
	Current maturity presented under current liabilities	*11*	**(3,471,950)**	(3,471,950)
			209,000,000	209,000,000
	Less: unamortized notional interest	*7.2*	**(64,152,515)**	(80,816,385)
			144,847,485	128,183,615

7.1 This loan has been obtained from sponsors of the Company, and is interest free. As per the loan agreement, the loan is payable by June 30, 2016. However, the Company has the option to make early repayments. The loan has been carried at amortized cost which has been determined using a discount rate of 13% , being the average effective borrowing rate of the Company on the date of initial measurement at amortized cost.

	Note	2013	2012
		Rupees	*Rupees*
7.2 Unamortized notional interest			
As at beginning of the year		**80,816,385**	95,563,173
Amortization for the year	*29*	**(16,663,870)**	(14,746,788)
As at end of the year		**64,152,515**	80,816,385

8 LONG TERM FINANCES - SECURED

	Note	2013	2012
These represent long term finances utilized under interest/markup arrangements from banking companies			
Demand Finance - I			
Face value	*8.1*	**18,329,999**	38,374,984
Less: unamortized notional interest	*8.2*	**-**	(5,166,192)
		18,329,999	33,208,792
Current maturity presented under current liabilities	*11*	**(18,329,999)**	(20,583,323)
		-	12,625,469

8.1 The finance represents frozen mark-up of another finance facility obtained from National Bank of Pakistan which has been fully repaid during the previous years. The finance does not carry any interest/mark-up and is secured by charge over operating fixed assets and current assets of the Company, and personal guarantee of the Company's Directors. The finance is repayable in twelve quarterly installments with the first installment due in September 2011. The finance has been carried at amortized cost which has been determined using a discount rate of 13% (2012: 13%) over the remaining tenor.

	Note	2013	2012
		Rupees	*Rupees*
8.2 Unamortized notional interest			
As at beginning of the year		**5,166,192**	9,370,357
Arising during the year	*29*	**-**	671,171
Amortization for the year	*29*	**(5,166,192)**	(4,875,336)
As at end of the year		**-**	5,166,192

8.3 For restrictions on title, and assets pledged as security, refer to note 39 to the financial statements.

9 EMPLOYEES RETIREMENT BENEFITS

The amount recognized on balance sheet represents present value of defined benefit obligation.

	Note	2013	2012
		Rupees	*Rupees*
9.1 Movement in present value of defined benefit obligation			
As at beginning of the year		**51,647,765**	44,964,262
Charged to profit or loss for the year	*9.2*	**20,610,917**	10,440,635
Benefits paid during the year		**(8,736,547)**	(3,757,132)
Actuarial loss arising during the year	*9.2*	**23,532,693**	-
As at end of the year		**87,054,828**	51,647,765
9.2 Charge to profit or loss			
Current service cost		**14,413,185**	5,044,924
Interest cost		**6,197,732**	5,395,711
	9.1	**20,610,917**	10,440,635
Actuarial loss recognized during the year	*9.1*	**23,532,693**	-
		44,143,610	10,440,635

	Note	2013 Rupees	2012 Rupees
9.3 The charge to profit or loss has been allocated as follows			
Cost of sales	*24*	**40,477,869**	9,661,366
Selling and distribution expenses	*25*	**377,583**	93,353
Administrative and general expenses	*26*	**3,288,158**	685,916
		44,143,610	10,440,635

9.4 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liabilitiy as at June 30, 2013 is based on actuarial valuation carried out by independent actuaries. The liability as at June 30, 2012 is based on internal estimates by the management of the Company. The principal assumptions used in determining present value of defined benefit obligation are:

	2013	2012
Discount rate	**11%**	12%
Expected rates of increase in salary	**10%**	11%
Expected average remaining working lives of employees	**6 years**	5 years

9.5 Historical information

		2013	2012	2011	2010	2009
Present value of defined benefit obligation	*Rupees*	**87,054,827**	51,647,765	44,964,262	43,407,322	41,415,162
Actuarial adjustment arising during the year	%	**27.03**	-	8.73	5.82	-

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

	Note	2013 Rupees	2012 Rupees
10 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences	*10.1*	**180,014,471**	228,537,144
Deferred tax asset on deductible temporary differences	*10.1*	**(20,747,818)**	(68,790,309)
		159,266,653	159,746,835

10.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2013			
	As at July 01 *Rupees*	**Recognized in profit or loss** *Rupees*	**Recognized in equity** *Rupees*	**As at June 30** *Rupees*
Deferred tax liabilities				
Operating fixed assets	**228,537,144**	**(48,522,673)**	**-**	**180,014,471**
Deferred tax assets				
Employees retirement benefits	**(18,007,073)**	**(2,740,745)**	**-**	**(20,747,818)**
Unused tax losses and credits	**(50,783,236)**	**50,783,236**	**-**	**-**
	(68,790,309)	**48,042,491**	**-**	**(20,747,818)**
	159,746,835	**(480,182)**	**-**	**159,266,653**

	2012			
	As at July 01 *Rupees*	Recognized in profit or loss *Rupees*	Recognized in equity *Rupees*	As at June 30 *Rupees*
Deferred tax liabilities				
Operating fixed assets - owned	180,324,673	(2,512,191)	50,724,662	228,537,144
Deferred tax assets				
Employees retirement benefits	(15,152,384)	(2,854,689)	-	(18,007,073)
Unused tax losses and credits	(89,750,113)	38,966,877	-	(50,783,236)
	(104,902,497)	36,112,188	-	(68,790,309)
	75,422,176	33,599,997	50,724,662	159,746,835

10.2 Revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. Deferred tax is provided for only that portion of timing differences that represent income taxable under normal provisions of the Ordinance. These differences are calculated at that proportion of total timing differences that the local sales, other than the indirect exports taxable under section 154 (3) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 35% of the timing differences so determined. The Government of Pakistan vide Finance Act, 2013 has notified a reduced tax rate of 34% for tax year 2014 only, however deferred tax has been recognized using tax rate of 35% (2012: 35%) as the impact of reduction in tax rate for one tax year is immaterial.

	Note	**2013** *Rupees*	2012 *Rupees*
11 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Loan from sponsors	*7*	**3,471,950**	3,471,950
Long term finances	*8*	**18,329,999**	20,583,323
		21,801,949	24,055,273
12 SHORT TERM BORROWINGS - SECURED			
These represent short term finances utilized under interest/mark-up arrangements from banking companies			
Cash finance	*12.1*	**425,215,608**	464,828,847
Documentary credit		**-**	26,929,937
		425,215,608	491,758,784

12.1 These facilities have been obtained from National Bank of Pakistan for working capital requirements and are secured by charge over current assets and operating fixed assets of the Company, pledge of stock, lien over documents of title of imported goods, trust receipts, demand promissory notes, counter guarantees, and personal guarantees of the Company's Directors.

Mark-up on these finances is payable along with principal on maturity, with the exception of cash finance where mark-up is payable quarterly. Local currency finances carry markup at three months KIBOR plus 3% per annum (2012: three months KIBOR plus 2% per annum).

The aggregate available short term funded facilities amounts to Rs. 718 million (2012: Rs. 768 million) out of which Rs. 293 million (2012: Rs. 264 million) remained unavailed as at the reporting date.

12.2 For restrictions on title, and assets pledged as security, refer to note 39 to the financial statements.

	Note	**2013** *Rupees*	2012 *Rupees*
13 CURRENT TAXATION			
Provision for taxation	*31*	**48,892,323**	28,875,029
Advance income tax		**(25,837,953)**	(25,640,846)
		23,054,370	3,234,183

	Note	2013	2012
		Rupees	*Rupees*
14 TRADE AND OTHER PAYABLES			
Trade creditors - *Unsecured*		**123,020,076**	129,609,873
Accrued liabilities		**84,951,423**	48,673,172
Advances from customers - *Unsecured*	*14.1*	**80,913,392**	91,319,374
Workers' Profit Participation Fund	*14.2*	**11,519,778**	5,420,518
Workers' Welfare Fund	*14.3*	**9,309,147**	6,614,650
Unclaimed dividend		**7,161,930**	4,986,930
Other payables - *Unsecured*		**567,538**	2,619,105
		317,443,284	289,243,622

14.1 These represent advances received from customers adjustable against future sales.

14.2 Workers' Profit Participation Fund

	Note	2013	2012
As at beginning of the year		**5,420,518**	13,185,694
Interest on funds utilized by the Company	*14.2.1*	**270,071**	473,556
Charged to profit or loss for the year	*30*	**11,519,778**	5,423,637
Paid during the year		**(5,690,589)**	(13,662,369)
As at end of the year		**11,519,778**	5,420,518

14.2.1 Interest is charged at 15% (2012: 15%) per annum.

14.3 Workers' Welfare Fund

	Note	2013	2012
As at beginning of the year		**6,614,650**	5,092,345
Charged to profit or loss for the year	*30*	**2,694,497**	1,522,305
Paid / adjusted during the year		**-**	-
As at end of the year		**9,309,147**	6,614,650

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

The Company may have to indemnify its Directors for any losses that may arise due to personal guarantees given by them for securing the debts of the Company, in case the Company defaults.

	2013	2012
	Rupees	*Rupees*
15.2 Commitments		
15.2.1 Commitments under irrevocable letters of credit for:		
- purchase of raw material	**-**	7,214,599
- purchase of store spares	**4,104,152**	-
	4,104,152	7,214,599

15.2.2 The Company is committed to pay Rs. 220,000 for every month it occupies the office premises owned by a director of the Company.

15.2.3 The Company has acquired a production facility subject to operating lease. Lease agreement covers a period of ten years and is renewable/extendable on mutual consent. Lease rentals are payable monthly in arears. Commitments for payments in future periods under the lease agreement are as follows:

	Note	2013	2012
		Rupees	*Rupees*
- payments not later than one year		**4,800,000**	4,800,000
- payments later than one year but not later than five years		**19,200,000**	19,200,000
- payments later than five years		**18,400,000**	23,200,000
		42,400,000	47,200,000
16 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	*16.1*	**1,019,882,286**	939,203,117
Capital work in progress	*16.2*	**18,959,920**	45,878,792
		1,038,842,206	985,081,909

16.1 Operating fixed assets

2013

	COST							DEPRECIATION						Net book
	As at July 01	Additions	Revaluation	Disposals	Transfers	As at June 30	Rate	As at July 01	For the year	Impairment	Adjustment	Revaluation	As at June 30	value as at June 30
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	%	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Freehold land	**71,417,500**	**-**	**-**	**-**	**-**	**71,417,500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**71,417,500**
Buildings on freehold land	**304,727,400**	**215,928**	**-**	**-**	**10,621,491**	**315,564,819**	**5**	**138,115,079**	**8,384,773**	**-**	**-**	**-**	**146,499,852**	**169,064,967**
Plant and machinery	**1,083,382,041**	**77,462,078**	**-**	**-**	**35,257,301**	**1,196,101,420**	**5**	**462,787,618**	**32,861,194**	**-**	**-**	**-**	**495,648,812**	**700,452,608**
Electric installations	**78,812,248**	**-**	**-**	**-**		**78,812,248**	**5**	**26,706,079**	**2,605,308**	**-**	**-**	**-**	**29,311,387**	**49,500,861**
Tools and equipment	**1,570,147**	**8,750**	**-**	**-**	**-**	**1,578,897**	**10**	**1,069,690**	**50,119**	**-**	**-**	**-**	**1,119,809**	**459,088**
Laboratory equipment	**21,228,180**	**-**	**-**	**-**	**-**	**21,228,180**	**10**	**15,267,026**	**596,115**	**-**	**-**	**-**	**15,863,141**	**5,365,039**
Fire fighting equipment	**2,791,329**	**-**	**-**	**-**	**-**	**2,791,329**	**10**	**1,297,920**	**149,341**	**-**	**-**	**-**	**1,447,261**	**1,344,068**
Office equipment	**3,523,605**	**464,204**	**-**	**-**	**-**	**3,987,809**	**10**	**1,986,007**	**182,206**	**-**	**-**	**-**	**2,168,213**	**1,819,596**
Furniture and fixtures	**7,880,022**	**487,232**	**-**	**-**	**-**	**8,367,254**	**10**	**4,523,947**	**358,946**	**-**	**-**	**-**	**4,882,893**	**3,484,361**
Arms and ammunitions	**474,289**	**32,700**	**-**	**-**	**-**	**506,989**	**10**	**311,766**	**16,797**	**-**	**-**	**-**	**328,563**	**178,426**
Vehicles	**31,985,137**	**6,288,202**	**-**	**(1,927,100)**		**36,346,239**	**20**	**16,523,649**	**3,930,272**	**-**	**(903,454)**	-	**19,550,467**	**16,795,772**
	1,607,791,898	**84,959,094**	**-**	**(1,927,100)**	**45,878,792**	**1,736,702,684**		**668,588,781**	**49,135,071**	**-**	**(903,454)**	**-**	**716,820,398**	**1,019,882,286**

2012

	COST							DEPRECIATION						Net book
	As at July 01	Additions	Revaluation	Disposals	Transfers	As at June 30	Rate	As at July 01	For the year	Impairment	Adjustment	Revaluation	As at June 30	value as at June 30
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	%	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Freehold land	64,925,000	-	6,492,500	-	-	71,417,500	-	-	-	-	-	-	-	71,417,500
Buildings on freehold land	241,105,143	41,000	63,581,257	-	-	304,727,400	5	102,177,608	7,502,131	532,642	-	27,902,698	138,115,079	166,612,321
Plant and machinery	933,224,154	2,160,000	127,833,887	-	20,164,000	1,083,382,041	5	378,892,651	30,470,950	-	-	53,424,017	462,787,618	620,594,423
Electric installations	48,362,279	553,902	29,896,067	-	-	78,812,248	5	16,296,737	2,632,209	-	-	7,777,133	26,706,079	52,106,169
Tools and equipment	1,570,147	-	-	-	-	1,570,147	10	1,014,084	55,606	-	-	-	1,069,690	500,457
Laboratory equipment	3,848,276	-	17,379,904	-	-	21,228,180	10	2,682,895	116,538	-	-	12,467,593	15,267,026	5,961,154
Fire fighting equipment	343,461	-	2,447,868	-	-	2,791,329	10	145,709	19,775	-	-	1,132,436	1,297,920	1,493,409
Office equipment	3,304,855	218,750	-	-	-	3,523,605	10	1,829,571	156,436	-	-	-	1,986,007	1,537,598
Furniture and fixtures	7,652,263	227,759	-	-	-	7,880,022	10	4,160,955	362,992	-	-	-	4,523,947	3,356,075
Arms and ammunitions	474,289	-	-	-	-	474,289	10	293,708	18,058	-	-	-	311,766	162,523
Vehicles	28,540,437	3,444,700	-	-	-	31,985,137	20	12,965,683	3,557,966	-	-	-	16,523,649	15,461,488
	1,333,350,304	6,646,111	247,631,483	-	20,164,000	1,607,791,898		520,459,601	44,892,661	532,642	-	102,703,877	668,588,781	939,203,117

16.1.1 Disposal of property, plant and equipment

	2013						
	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*		
Vehicles							
Suzuki Cultus LED - 7378	**769,100**	**407,479**	**361,621**	**725,000**	**363,379**	**Negotiation**	**Tuseef Brothers**
Suzuki Cultus LEF - 5390	**787,800**	**417,387**	**370,413**	**725,000**	**354,587**	**Negotiation**	**Tuseef Brothers**
Honda 125 LER - 7273	**94,700**	**12,627**	**82,073**	**85,000**	**2,927**	**Stolen**	**Insurance claim**
Honda 125 LEX - 9583	**101,500**	**6,682**	**94,818**	**95,000**	**182**	**Stolen**	**Insurance claim**
Honda 125 LED - 7689	**100,500**	**1,675**	**98,825**	**96,500**	**(2,325)**	**Stolen**	**Insurance claim**
Honda 125 LWB - 5288	**73,500**	**57,604**	**15,896**	**35,000**	**19,104**	**Company Policy**	**Liaqat Ali, Lahore**
	1,927,100	**903,454**	**1,023,646**	**1,761,500**	**737,854**		

There were no disposals during the year ended June 30, 2012.

16.1.2 Transfers represent transfers from capital work in progress on related assets becoming available for use.

	Note	2013	2012
		Rupees	*Rupees*

16.1.3 The depreciation charge for the year has been allocated as follows:

	Note	2013 Rupees	2012 Rupees
Cost of sales	*24*	**44,646,850**	40,797,209
Administrative and selling expenses	*26*	**4,488,221**	4,095,452
		49,135,071	44,892,661

16.1.4 Last revaluation of property, plant and equipment was carried out by independent valuers, Empire Enterprises (Private) Limited, as at March 12, 2012. Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

	2013		
	Cost *Rupees*	**Accumulated depreciation** *Rupees*	**Net book value** *Rupees*
Freehold land	**144,868**	**-**	**144,868**
Buildings on freehold land	**104,292,297**	**39,046,708**	**65,245,589**
Plant and machinery	**694,646,826**	**288,388,022**	**406,258,805**
Electric installation	**48,916,181**	**20,428,308**	**28,487,873**
Laboratory equipment	**3,848,276**	**2,904,317**	**943,959**
Fire fighting equipment	**343,461**	**183,282**	**160,179**

	2012		
	Cost *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*
Freehold land	144,868	-	144,868
Buildings on freehold land	93,454,879	36,115,700	57,339,179
Plant and machinery	581,927,447	271,006,097	310,921,350
Electric installation	48,916,181	18,928,946	29,987,235
Laboratory equipment	3,848,276	2,799,433	1,048,843
Fire fighting equipment	343,461	165,484	177,977

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

Land

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

Building

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

Plant and machinery

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

16.2 Capital work in progress

	2013			
	As at July 01 *Rupees*	**Additions** *Rupees*	**Transfers** *Rupees*	**As at June 30** *Rupees*
Building	**10,621,491**	**9,242,761**	**(10,621,491)**	**9,242,761**
Plant and machinery	**35,257,301**	**9,717,159**	**(35,257,301)**	**9,717,159**
	45,878,792	**18,959,920**	**(45,878,792)**	**18,959,920**

	2012			
	As at July 01	Additions	Transfers	As at June 30
	Rupees	*Rupees*	*Rupees*	*Rupees*
Building	7,726,542	2,894,949	-	10,621,491
Plant and machinery	30,548,504	24,872,797	(20,164,000)	35,257,301
	38,275,046	27,767,746	(20,164,000)	45,878,792

17 LONG TERM DEPOSITS

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

	Note	**2013**	2012
		Rupees	*Rupees*
18 STORES, SPARES AND LOOSE TOOLS			
Stores		**4,111,953**	2,907,155
Spares and loose tools		**40,693,954**	27,745,733
		44,805,907	30,652,888

18.1 It is impracticable to distinguish spares and loose tools each from the other.

18.2 There no stores and spares held exculsively for capitalization

19 STOCK IN TRADE			
Raw material		**374,299,446**	354,465,990
Work in process		**44,537,348**	32,680,780
Finished goods	*19.1*	**58,415,695**	68,735,118
		477,252,489	455,881,888

19.1 Stock of finished goods include stock of waste valued at net realizable value ofRs. 753,388 (2012: Rs. 1,568,992).

19.2 Details of stock pledged as security are referred to in note 39 to the financial statements.

	Note	**2013**	2012
		Rupees	*Rupees*
20 TRADE DEBTS			
Local - *unsecured*		**160,420,068**	87,237,241
Foreign - *secured*	*20.1*	**15,571,170**	10,214,370
		175,991,238	97,451,611

20.1 These are secured against letters of credit

21 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to suppliers - *unsecured, considered good*		**4,072,018**	5,464,479
Advances to employees - *unsecured, considered good*	*21.1*	**3,829,622**	7,633,631
Prepayments		**2,390,974**	2,629,513
Letters of credit		**5,755,127**	5,769,146
Sales tax refundable		**21,352,835**	18,190,967
Insurance claims receivable		**249,648**	25,158,148
Other receivables - *unsecured, considered good*		**1,029,322**	4,851,703
		38,679,546	69,697,587

21.1 These represent advances to employees for purchases and expenses on behalf of the Company and those against future salaries and post employment benefits in accordance with the Company policy. No advances have been given to any of the directors or executives of the Company.

	Note	2013	2012
		Rupees	*Rupees*
22 CASH AND BANK BALANCES			
Cash in hand		**599,114**	442,337
Cash at banks			
current accounts		**20,198,760**	15,480,657
deposit/saving accounts	*22.1*	**50,642**	87,298
		20,249,402	15,567,955
		20,848,516	16,010,292

22.1 Effective mark-up rate in respect of deposit/saving accounts, for the year, ranges from 6% to 7% (2012: 6% to 7%).

23 TURNOVER - NET

	2013		
	Local	**Export**	**Total**
	Rupees	***Rupees***	***Rupees***
Yarn	**2,431,401,767**	**1,163,539,472**	**3,594,941,239**
Waste	**77,289,859**	**-**	**77,289,859**
	2,508,691,626	**1,163,539,472**	**3,672,231,098**
Sales tax	**(25,409,839)**	**-**	**(25,409,839)**
	2,483,281,787	**1,163,539,472**	**3,646,821,259**

	2012		
	Local	Export	Total
	Rupees	*Rupees*	*Rupees*
Yarn	2,786,042,140	11,124,812	2,797,166,952
Waste	90,335,927	-	90,335,927
	2,876,378,067	11,124,812	2,887,502,879
Sales tax	-	-	-
	2,876,378,067	11,124,812	2,887,502,879

23.1 Yarn export sales include indirect exports amounting to Rs. 1,053,031,524 (2012: Nil).

	Note	2013	2012
		Rupees	*Rupees*
24 COST OF SALES			
Raw material consumed	*24.1*	**2,276,369,862**	1,930,337,562
Stores, spares and loose tools consumed		**130,136,940**	95,995,858
Salaries, wages and benefits	*24.2*	**300,303,185**	168,665,736
Power and fuel		**499,712,589**	361,359,278
Insurance		**4,926,519**	2,506,753
Vehicle running and maintenance		**3,407,494**	1,916,520
Rent, rates and taxes	*24.3*	**4,800,000**	800,000
Depreciation	*16.1.3*	**44,646,850**	40,797,209
Impairment loss on operating fixed assets	*16.1*	**-**	532,642
Others		**8,059,423**	8,382,291
Manufacturing cost		**3,272,362,862**	2,611,293,849
Work in process			
As at beginning of the year		**32,680,780**	33,571,861
As at end of the year		**(44,537,348)**	(32,680,780)
		(11,856,568)	891,081
Cost of goods manufactured		**3,260,506,294**	2,612,184,930
Finished goods			
As at beginning of the year		**68,735,118**	102,970,805
As at end of the year		**(58,415,695)**	(68,735,118)
		10,319,423	34,235,687
		3,270,825,717	2,646,420,617

24.1 Raw material consumed

	2013	2012
As at beginning of the year	**354,465,990**	260,192,413
Purchased during the year	**2,298,490,266**	2,025,704,645
Sold during the year	**(2,286,948)**	(1,093,506)
As at end of the year	**(374,299,446)**	(354,465,990)
	2,276,369,862	1,930,337,562

24.2 These include charge in respect of employees retirement benefits amounting to Rs. 40,477,869 (2012: Rs. 9,661,366).

24.3 This represents rent of production facility acquired subject to operating lease. See note 15.2.3.

	Note	2013	2012
		Rupees	*Rupees*
25 SELLING AND DISTRIBUTION EXPENSES			
Salaries wages and benefits	*25.1*	**2,337,983**	1,622,460
Inland transportation		**12,100,234**	5,335,879
Ocean freight and forwarding		**4,289,674**	304,746
Traveling		**550,779**	468,856
Communication		**339,657**	234,954
Insurance		**119,496**	96,395
Commission		**22,873,381**	7,393,582
Vehicle running and maintenance		**229,685**	195,915
Advertisement and sales promotion		**-**	64,000
Others		**148,595**	54,480
		42,989,484	15,771,267

25.1 These include charge in respect of employees retirement benefits amounting toRs. 377,583 (2012: Rs. 93,353).

	Note	2013	2012
		Rupees	*Rupees*
26 ADMINISTRATIVE AND GENERAL EXPENSES			
Directors' remuneration		**9,042,534**	9,226,080
Salaries and benefits	*26.1*	**15,310,649**	10,457,155
Traveling, conveyance and entertainment		**423,564**	1,119,889
Printing and stationery		**714,704**	618,560
Electricity and gas		**1,612,330**	1,315,821
Communication		**1,158,324**	1,116,636
Vehicles running and maintenance		**3,188,626**	2,956,492
Legal and professional charges		**693,520**	534,900
Auditors' remuneration	*26.2*	**660,000**	660,000
Fee and subscription		**921,500**	1,400,011
Rent rates and taxes		**2,640,000**	2,600,000
Insurance		**1,017,561**	754,925
Repair and maintenance		**420,488**	381,821
Depreciation	*16.1.3*	**4,488,221**	4,095,452
Others		**1,405,198**	1,501,638
		43,697,219	38,739,380

26.1 These include charge in respect of employees retirement benefits amounting toRs. 3,288,158 (2012: Rs. 685,916).

	Note	2013	2012
		Rupees	*Rupees*
26.2 Auditor's remuneration			
Annual statutory audit		**500,000**	500,000
Half yearly review		**100,000**	100,000
Review report under Code of Corporate Governance		**50,000**	50,000
Out of pocket expenses		**10,000**	10,000
		660,000	660,000
27 OTHER OPERATING INCOME			
Gain on financial instruments			
Return on bank deposits		**7,749**	9,844
Other income			
Gain on disposal of operating fixed assets	*16.1.1*	**737,854**	-
Scrap sales		**-**	2,696,592
		737,854	2,696,592
		745,603	2,706,436
28 FINANCE COST			
Interest / mark-up on borrowings:			
long term finances		**-**	356,009
short term borrowings		**58,300,985**	59,480,730
		58,300,985	59,836,739
Interest on workers' profit participation fund		**270,071**	473,556
Foreign exchange loss		**-**	851,595
Bank charges and commission		**1,087,823**	692,465
		59,658,879	61,854,355

	Note	2013	2012
		Rupees	*Rupees*
29 NOTIONAL INTEREST			
Loan from sponsors	*7.2*	**16,663,870**	14,746,788
Demand finance	*8.2*	**5,166,192**	4,204,165
		21,830,062	18,950,953
30 OTHER CHARGES			
Workers' Profit Participation Fund	*14.2*	**11,519,778**	5,423,637
Workers' Welfare Fund	*14.3*	**2,694,497**	1,522,305
Donations	*30.1*	**7,328,520**	3,307,263
		21,542,795	10,253,205

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

	Note	2013	2012
31 PROVISION FOR TAXATION			
Current taxation			
current year	*31.1*	**48,892,323**	28,875,029
prior year		**2,133,807**	(188,625)
		51,026,130	28,686,404
Deferred taxation (income)/expense	*10*	**(480,182)**	33,599,997
		50,545,948	62,286,401

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

31.2 Reconciliation between average effective tax rate and applicable tax rate

	Unit	2013	2012
Profit before taxation	**Rupees**	187,022,706	
Provision for taxation	**Rupees**	50,545,948	
Average effective tax rate	**%**	27.03	
Tax effects of:			
Items not included in determination of taxable income	**%**	(3.62)	
Admissible deductions, losses and tax credits	**%**	18.70	
Income taxable under final tax regime	**%**	(6.22)	
Provision for deferred taxation	**%**	0.26	
Others	**%**	(1.14)	
Applicable tax rate	**%**	35.00	

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

31.3 Assessments for the tax years up to 2012 are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filled by the Company.

	Unit	2013	2012
32 EARNINGS PER SHARE			
Profit attributable to ordinary shareholders	*Rupees*	**136,476,758**	35,933,137
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**8,775,000**	8,775,000
Earnings per share - *Basic*	*Rupees*	**15.55**	4.09

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

	Note	2013	2012
		Rupees	*Rupees*

33 CASH GENERATED FROM OPERATIONS

Profit before taxation		**187,022,706**	98,219,538
Adjustments for non-cash and other items			
Interest / markup on borrowings		**58,300,985**	59,836,739
Notional interest		**21,830,062**	18,950,953
Impairment loss on operating fixed assets		**-**	532,642
Gain on disposal of operating fixed assets		**(737,854)**	-
Foreign exchange loss		**-**	851,595
Provision for employees retirement benefits		**44,143,610**	10,440,635
Depreciation		**49,135,071**	44,892,661
		172,671,874	135,505,225
Operating profit before changes in working capital		**359,694,580**	233,724,763
Changes in working capital			
Stores, spares and loose tools		**(14,153,019)**	(6,812,345)
Stock in trade		**(21,370,601)**	(59,146,809)
Trade debts		**(78,539,627)**	20,171,081
Advances, prepayments and other receivables		**31,018,041**	(12,152,136)
Long term deposits		**(645,690)**	-
Trade and other payables		**26,024,662**	66,197,702
		(57,666,234)	8,257,493
Cash generated from operations		**302,028,346**	241,982,256

34 CASH AND CASH EQUIVALENTS

Cash and bank balances	*22*	**20,848,516**	16,010,292
		20,848,516	16,010,292

35 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise key management personnel (including chief executive and directors) and sponsors of the Company. Transactions with sponsors are limited to provision of interest free loans to the Company and rental payments for office premises used by the Company. Details of transactions and balances with related parties is as follows:

		2013	2012
		Rupees	*Rupees*
35.1 Transactions with related parties			
Nature of relationship	**Nature of transactions**		
Key management personnel	Short term employee benefits	**9,042,534**	9,226,080
Sponsors	Borrowings repaid	**-**	8,252,510
	Rent paid	**2,640,000**	2,600,000
35.2 Balances with related parties			
Nature of relationship	**Nature of balances**		
Key management personnel	Short term employee benefits payable	**520,000**	394,880
Sponsors	Borrowings	**212,471,950**	212,471,950

36 FINANCIAL INSTRUMENTS

36.1 Financial instruments by class and category

	Note	2013 Loans and receivables Rupees	2013 Financial liabilities at amortized cost Rupees	2012 Loans and receivables Rupees	2012 Financial liabilities at amortized cost Rupees
Financial assets					
Long term deposits	17	**11,243,604**	**-**	**10,597,914**	**-**
Trade debts	20	**175,991,238**	**-**	**97,451,611**	**-**
Advances to employees	21	**3,829,622**	**-**	**7,633,631**	**-**
Insurance claims receivable	21	**249,648**	**-**	**25,158,148**	**-**
Cash and bank balances	22	**20,848,516**	**-**	**16,010,292**	**-**
		212,162,628	**-**	**156,851,596**	**-**
Financial liabilities					
Loan from sponsors		**-**	**144,847,485**	-	128,183,615
Long term finances	8	**-**	**18,329,999**	-	33,208,792
Short term borrowings	12	**-**	**425,215,608**	-	491,758,784
Accrued interest/mark-up		**-**	**13,301,463**	-	16,902,435
Trade creditors	14	**-**	**120,403,967**	-	129,609,873
Accrued liabilities	14	**-**	**84,951,423**	-	48,673,172
		-	**807,049,945**	-	848,336,671
		212,162,628	**807,049,945**	**156,851,596**	**848,336,671**

36.2 Fair values of financial instruments

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

36.2.1 Methods of determining fair values

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

36.2.2 Discount/interest rates used for determining fair values

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

37 FINANCIAL RISK EXPOSURE AND MANAGEMENT

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

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

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

37.1 Credit risk

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

	Note	2013 Rupees	2012 Rupees
37.1.1 Maximum exposure to credit risk			
The maximum exposure to credit risk as at the reporting date is as follows:			
Loans and receivables			
Trade debts	*20*	**175,991,238**	97,451,611
Insurance claims receivable	*21*	**249,648**	25,158,148
Cash at banks	*22*	**20,249,402**	15,567,955
		196,490,288	138,177,714

37.1.2 Concentration of credit risk

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

	2013 Rupees	2012 Rupees
Customers	**175,991,238**	97,451,611
Banking companies and financial institutions	**20,499,050**	40,726,103
	196,490,288	138,177,714

37.1.3 Credit quality and impairment

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

37.1.3(a) Counterparties with external credit ratings

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

37.1.3(b) Counterparties without external credit ratings

These include customers which are counter parties to trade debts. The Company is exposed to credit risk in respect of trade debts. The analysis of ages of trade debts as at the reporting date is as follows:

	2013		2012	
	Gross carrying amount *Rupees*	**Accumulated Impairment** *Rupees*	Gross carrying amount *Rupees*	Accumulated Impairment *Rupees*
Neither past due nor impaired	**74,471,478**	**-**	80,424,018	-
Past due by 0 to 6 months	**82,948,271**	**-**	5,917,158	-
Past due by 6 to 12 months	**340,758**	**-**	-	-
Past due by over one year	**18,230,733**	**-**	11,174,435	-
	175,991,240	**-**	97,515,611	-

The Company's three (2012: eleven) significant customers account for Rs. 37.80 million (2012: Rs. 46.22 million) of trade debts as at June 30, 2013, apart from which, exposure to any single customer does not exceed 5% of trade debts as at June 30, 2013. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected. Further, trade debts amounting to Rs. 15.57 million (2012: Rs. 10.21 million) secured through confirmed letters of credit and thus do not carry any significant credit risk. The Company believes that no impairment allowance is necessary for receivables past due by upto 12 months based on historical default rates. No impairment allowance has been made for amounts past due by over one year as the same has been recovered subsequent to the reporting period.

37.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets with the exception of trade debts, which are partially secured through confirmed letters of credit.

37.1.5 Credit risk management

As mentioned in note 37.1.3(b) to the financial statements, the Company's financial assets do not carry significant credit risk, with the exception of trade debts, which are exposed to losses arising from any non-performance by customers. In respect of trade debts, the Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

37.2 Liquidity risk

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

37.2.1 Exposure to liquidity risk

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

	2013				
	Carrying amount	**Contractual cash flows**	**One year or less**	**One to five years**	**More than five years**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Loan from sponsors	**148,319,435**	**212,471,950**	**-**	**212,471,950**	**-**
Long term finances	**18,329,999**	**18,329,999**	**18,329,999**	**-**	**-**
Short term borrowings	**425,215,608**	**425,215,608**	**425,215,608**	**-**	**-**
Accrued interest/mark-up	**13,301,463**	**13,301,463**	**13,301,463**	**-**	**-**
Trade creditors	**120,403,967**	**120,403,967**	**120,403,967**	**-**	**-**
Accrued liabilities	**84,951,423**	**84,951,423**	**84,951,423**	**-**	**-**
	810,521,895	**874,674,410**	**662,202,460**	**212,471,950**	**-**

	2012				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Loan from sponsors	131,655,565	212,471,950	-	212,471,950	-
Long term finances	33,208,792	38,374,984	20,583,323	17,791,661	-
Short term borrowings	491,758,784	491,758,784	491,758,784	-	-
Accrued interest/mark-up	16,902,435	16,902,435	16,902,435	-	-
Trade creditors	129,609,873	129,609,873	129,609,873	-	-
Accrued liabilities	48,673,172	48,673,172	48,673,172	-	-
	851,808,621	937,791,198	707,527,587	230,263,611	-

37.2.2 Liquidity risk management

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

37.3 Market risk

37.3.1 Currency risk

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

37.3.1(a) Exposure to currency risk

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

	2013	2012
	Rupees	*Rupees*
Financial liabilities	**-**	-
Financial assets		
Trade debts	**15,571,170**	10,214,370

37.3.1(b) Exchange rates applied during the year

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

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

37.3.1(c) Sensitivity analysis

A ten percent depreciation in Pak Rupee against the US $ would have increased profit for the year by Rs. 1.56 million (2012: Rs. 1 Million). A ten percent appreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

37.3.1(d) Currency risk management

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

37.3.2 Interest rate risk

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

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

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

	2013	2012
	Rupees	*Rupees*
Fixed rate instruments		
Financial assets	**50,642**	87,298
Financial liabilities	**144,847,485**	128,183,615
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**425,215,608**	491,758,784

37.3.2(b) **Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for fixed rate financial assets and liabilities at fair value through profit or loss.

37.3.2(c) **Cash flow sensitivity analysis for variable rate instruments and cash flow hedges**

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 4.25 million (2012: Rs. 4.91 million). A decrease of 100 basis points wound have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

37.3.2(d) **Interest rate risk management**

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

37.3.3 Price risk

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

38 CAPITAL MANAGEMENT

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

	Unit	**2013**	2012
Total debt	*Rupees*	**230,801,949**	245,680,742
Total equity	*Rupees*	**615,677,866**	487,976,108
		846,479,815	733,656,850
Gearing	*% age*	**27.27%**	33.49%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

	2013	2012
	Rupees	*Rupees*

39 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY

Mortgages and charges

	2013	2012
Hypothecation of current assets	**1,194,782,000**	1,194,782,000
Hypothecation of operating fixed assets	**1,179,782,000**	1,179,782,000
Mortgage over operating fixed assets	**1,179,782,000**	1,179,782,000

Pledge

	2013	2012
Raw material	**374,299,446**	354,098,917
Finished goods	**28,748,755**	30,852,244

40 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2013		
	Chief Executive	**Directors**	**Executives**
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	**2,625,000**	**3,315,000**	**4,154,400**
Allowances and perquisites	**3,102,534**	**-**	**39,000**
Post employment benefits	**-**	**-**	**1,214,515**
	5,727,534	**3,315,000**	**5,407,915**
Number of persons	**1**	**3**	**5**

	2012		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	2,400,000	2,460,000	2,055,000
Allowances and perquisites	4,366,080	-	30,000
Post employment benefits	-	-	121,667
	6,766,080	2,460,000	2,206,667
Number of persons	1	3	2

Additionally the chief executive, directors and executives are also provided company maintained vehicles.

41 EVENTS AFTER THE REPORTING PERIOD

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

42 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 1,334 (2012: 1,308). Average number of persons employed by the Company during the year are 1,325 (2012: 1,307).

43 RECOVERABLE AMOUNTS AND IMPAIRMENT

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

44 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	2013	2012
Owned			
Number of spindles installed	*No.*	**56,076**	56,076
Plant capacity on the basis of utilization converted into 40s count	*Kgs*	**8,555,000**	8,555,000
Actual production converted into 40s count	*Kgs*	**6,916,412**	7,922,723
Leased			
Number of spindles installed	*No.*	**14,400**	3,500
Plant capacity on the basis of utilization converted into 40s count	*Kgs*	**2,591,500**	534,000
Actual production converted into 40s count	*Kgs*	**1,713,571**	340,000

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

45 DATE OF AUTHORIZATION FOR ISSUE

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

46 GENERAL

Figures have been rounded off to the nearest rupee.

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

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : October 09, 2013

PATTERN OF SHAREHOLDING OF ORDINARY SHARES AS AT ON JUNE 30, 2013

Sr.	Shareholding		No. of shareholders	Total shares held
	From	To		
1	1	100	965	64,348
2	101	500	337	88,794
3	501	1000	103	89,159
4	1001	5000	167	474,129
5	5001	10000	33	268,949
6	10001	15000	10	126,495
7	15001	20000	9	151,705
8	20001	25000	6	139,500
9	30001	35000	3	95,341
10	35001	45000	3	112,883
12	45001	50000	2	100,000
13	55001	85000	2	139,000
14	90001	165000	1	114,500
15	170001	345000	1	217,500
16	345001	350000	1	348,279
18	350001	1550000	3	4,631,468
19	1550001	1650000	1	1,612,950
		Total:	1,647	8,775,000

CATEGORIES WISE PATTERN OF SHAREHOLDING

Categories of shareholders	No. of shareholders	Total shares held	Percentage
FINANCIAL INSTITUTIONS	4	133,551	1.52
INDIVIDUALS	1,628	8,237,715	93.88
JOINT STOCK COMPANIES	9	11,197	0.13
OTHERS	4	35,758	0.41
MUTUAL FUNDS	1	348,279	3.97
INVESTMENT COMPANIES	1	8,500	0.10
	1,647	8,775,000	100.00

Information as Required Under Code of Corporate Governance at June 30, 2013

Categories of shareholders		No. of Sharesholders	No. of shares held
Mian Iqbal Salahuddin	Chief Executive	1	1543820
Mst. Munira Salahuddin	Director	1	1612950
Mian Asad Salahuddin	Director	1	1543828
Mian Yousaf Salahuddin	Director	1	1543820
Mian Sohail Salahuddin	Director	1	7500
Sh. Abdul Salam	Director	1	2500
Syed Abid Raza Zaidi	Director	1	2500
			6,256,918

Individuals	1628	8,237,715
Financial Institutions	4	133,551
Joint Stock Companies	9	11,197
Others	4	35,758
Mutual Funds	1	348,279
Investment Companies	1	8,500
	1647	8,775,000

FORM OF PROXY

Sally Textile Mills Limited

4 - F, Gulberg II, Lahore.

I/We ____

of ____

being a member of SALLY TEXTILE MILLS LIMITED, hereby appoint

(NAME)

of ____

or failing him ____

(NAME)

of ____

(being a member of the Company) as my/our proxy to attend, act and vote for me/us and on my/our behalf, at the 45th Annual General Meeting of the Company to be held at the FOUR SEASONS HALL, Queens Road, Lahore on Thursday, October 31st 2013 at 10:00 a.m. and at every adjournment thereof.

As witness my hand this ______________ day of ____________________ 2013

Signed by the said in the presence of ______________________________

____
Signature

Witness

____
Signature

Affix
Revenue Stamp

Note: Proxies on order to be effective, mut be received at the Company's Registered Office not less than forty-eight hours before the time for holding the meeting and mut be duly stamped, signed and witnessed.

AFFIX
CORRECT
POSTAGE

The Company Secretary
SALLY TEXTILE MILLS LIMITED
4-F, Gulberg II, Lahore.