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Sapphire Fibres Limited

COMPANY PROFILE

BOARD OF DIRECTORS

Chairman	:	Mr. Mohammad Abdullah
Chief Executive	:	Mr. Shahid Abdullah
Director	:	Mr. Nadeem Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Mohammad Yamin Mr. Naveed-ul-Islam
Audit Committee	:	
Chairman		Mr. Nadeem Abdullah
Member		Mr. Amer Abdullah
Member		Mr. Mohammad Yamin
Humon Resource & Remuneration Committee	:	
Chairman		Mr. Yousuf Abdullah
Member		Mr. Naveed-ul-islam
Member		Mr. Mohammad Yamin
Chief Financial Officer	:	Mr. Mujahid Akbar Bozdar
Secretary	:	Mr. Shaukat Mahmud
Auditors	:	Hameed Chaudhri & Company Chartered Accountants
Management Consultant	:	M. Yousuf Adil Saleem & Company Chartered Accountants
Tax Consultants	:	Mushtaq & Company Chartered Accountants
Legal Advisor	:	Hassan & Hassan Advocates
Bankers	:	Allied Bank Limited, Citi Bank N.A. Habib Bank Limited, Habib Metropolitan Bank Limited National Bank of Pakistan, MCB Bank Limited United Bank Limited
Share Registrar		THK Associates (private) Ltd
Registered Office	:	316, Cotton Exchange Building, I.I. Chundrigar Road, Karachi.
Mills	:	Kharianwala, Tehsil and District Sheikhpura Feroze Wattoan, Tehsil and District Sheikhpura Raiwind Road, Lahore.

VISION

To be one of the premier textile company recognized for leadership in technology, flexibility, responsiveness and quality.

Our customers will share in our success through innovative manufacturing, certifiable quality, exceptional services and creative alliances. Structured to maintain in depth competence and knowledge about our business, our customers and worldwide markets.

Our workforce will be the most efficient in industry through multiple skill learning, the fostering of learning and the fostering of teamwork and the security of the safest work environment possible recognised as excellent citizen in the local and regional community through our financial and human resources support and our sensitivity to the environment.

MISSION

Our mission is to be recognised as premier supplier to the markets we serve by providing quality yarns, fabrics and other textile products to satisfy the needs of our customers.

Our mission will be accomplished through excellence in customer service, sales and manufacturing supported by teamwork of all associates.

We will continue our tradition of honesty, fairness and integrity in relationship with our customers, associates, shareholders, community and stakeholders.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT 34th Annual General Meeting of SAPPHIRE FIBRES LIMITED will be held at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Tuesday the 29th day of October, 2013 at 04:30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. Consideration of the accounts, balance sheets and the reports of the directors and auditors.
2. Declaration of a dividend.
3. Appointment and fixation of remuneration of auditors.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Karachi.

Dated : 07th October, 2013

(SHAUKAT MAHMUD)
Secretary

NOTES

1. Closure of share transfer books:

Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 23rd October, 2013 to 29th October, 2013 (both days inclusive). Transfers received in order, by THK Associates (Private) Limited, Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi up to 22nd October, 2013 will be considered in time for the payment of dividend.

2. Participation in the annual general meeting:

A member entitled to attend and vote at this meeting is entitled to appoint another member/any other person as his/her proxy to attend and vote.

3. Duly completed instrument of proxy, and the other authority under which it is signed, thereof, must be lodged with the secretary of the company at the company's registered office 316, Cotton Exchange Building, I.I.Chundrigar Road, Karachi at least 48 hours before the time of the meeting.

4. Change in address:

Any change of address of members should be immediately notified to the company's share registrars, THK Associates (Private) Limited, Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi.

NOTICE OF ANNUAL GENERAL MEETING

5. The CDC account holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:
 - A. For attending the meeting:
 - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original computerized national identity card (CNIC) or original passport at the time of attending the meeting.
 - ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.
 - B. For appointing proxies:
 - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
 - iii) Attested copies of CNIC or the passport.
 - iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
 - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.
6. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831(1)2013 dated July 05, 2012 dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, members who have not yet submitted copy of their valid CNIC/NTN (in case of corporate entities) are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.
7. As per the directions to all Listed Companies by SECP vide Letter No.SM/CDC 2008 dated April 05, 2013, all shareholders and the Company are encouraged to put in place an effective arrangement for Payment of Cash Dividend Electronically (e-Dividend) through mutual co-operation. For this purpose, the members are requested to provide Dividend Mandate including Name, Bank Account Number, Bank and Respective Branch Address to the Company in order to adhere the envisaged guidelines.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your Company are pleased to present before you the 34th annual report and audited financial statements for the year ended 30 June, 2013.

PERFORMANCE OF THE COMPANY

Your company has performed well and achieved good results in spite of increase in cost of energy and curtailment of supply of gas and electricity. Major factors contributed towards better profitability are production planning and procurement of raw material at moderate prices.

Salient features of these results are as under:

	2013	2012
	Rupees in thousand	
Sales	13,892,289	12,811,236
Gross Profit	2,274,244	1,964,936
Operating Profit	1,773,663	1,415,883
Profit before tax	1,318,477	963,189
Profit after tax	1,189,195	866,885
Gross profit (%)	16.37	15.34
Operating profit (%)	12.77	11.05
Profit after tax (%)	8.56	6.77

REVIEW OF OPERATIONS

The Company's sales volume of the current year has increased to 13,892 million as compared to Rs. 12,811 million of the last year showing a growth of 8.43%. Gross profit grew by 15.74% over the last year. Distribution cost decreased to Rs. 565 million as compared to Rs. 574 million, whereas finance cost witnessed increase of Rs. 2.493 million over the prior year. Net profit of the Company has registered a growth of 37.18% over the last year.

APPROPRIATION OF PROFITS

Net Profit after Tax	1,189,195	866,885
Un-appropriated Profit brought forward	<u>5,776,561</u>	<u>5,008,114</u>
Profit available for appropriation	6,965,756	5,874,999
Appropriations:		
Interim dividend @ 70% (2012: Nil)	(137,812)	-
Proposed Final dividend @ 50% (2012: @ 50%)	(98,438)	(98,438)
	<u>6,729,506</u>	<u>5,776,561</u>
Un-appropriated Profit carried forward		

DIVIDEND

The Board of Directors of the company is pleased to recommend a final cash dividend @ 50% for the year ended June 30, 2013. With the interim dividend @ 70% already paid during the year, the total dividend for the year 2013 amounts to Rs. 120% (2012: 50%)

EARNING PER SHARE

The Company's earnings per share (EPS) of the current year is Rs. 60.40 as compared to Rs. 44.03 of the last year.

DIRECTORS' REPORT TO THE SHAREHOLDERS

FUTURE OUTLOOK

The management of your company expects to maintain the same pace of growth in spite of various challenges which the textile industry is facing. Cotton prices are on the rise and yarn prices have not increased proportionately. Major prevailing constraints are hike in power tariff and frequent load shedding of gas and electricity.

However the management expects moderate profitability by exploring new markets, machinery up-gradation and increase in efficiencies.

REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

During the year, the Board of Directors has revised the remuneration of Mr. Shahid Abdullah, Director/Chief Executive from Rs. 750,000 to Rs. 1,000,000 per month effective February 01, 2013 and of Mr. Naveed ul Islam Director of the Company from Rs. 280,400 to Rs. 300,100 per month with effect from September 01, 2012. There was no change in other terms and conditions of their appointment.

SUBSIDIARY COMPANY

SAPPHIRE ELECTRIC COMPANY LIMITED

Sapphire Electric Company Limited was incorporated in Pakistan as a public unlisted company under Companies Ordinance, 1984 on 18 January, 2005. Sapphire Fibres Limited has holding of 59.08% (2012: 59.08%) share capital of the subsidiary.

The principal activity of the subsidiary company is to own, operate and maintain a combined cycle power station having net capacity of 212 MW.

RELATED PARTIES

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulation of stock exchanges in Pakistan. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method.

CASH FLOW MANAGEMENT

The directors of the Company have an effective Cash Flow Management System in place whereby cash inflows and outflows are projected on regular basis. The company is well placed in its commitments toward long term and short term loans.

ENVIRONMENT, HEALTH, SAFETY AND SOCIAL ACTIONS

The Company maintains working conditions which are safe and without risk to the health of all employees and public at large the management has maintained safe environment in all its operations throughout the year.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

The Board of Directors periodically reviews the Company's strategic direction. Business plans and targets are set by the Chief Executive and reviewed by the Board. The Board is committed to maintain a high standard of corporate governance. The Board has reviewed the Code of Corporate Governance and confirms that:

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

2. The company has maintained proper books of account.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control, which was in place, is being continuously reviewed by the internal audit and other such procedures. The process of review and monitoring will continue with the object to improve it further
6. All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as debt the same is disclosed as contingent liabilities in the notes to the accounts.
7. There is no doubt about the Company's ability to continue as a going concern.
8. There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
9. The Company operates defined contributory approved provident fund for its management staff. The company has also established management staff gratuity fund for its head office staff.

The members of provident fund are not entitled for gratuity. Stated below are the values of the investments of these funds:

	<u>2013</u>	<u>2012</u>
	Rupees in thousand	
Provident Fund	32,002	29,031
Gratuity Fund	18,753	23,504

10. The board of directors in compliance with the Code of Corporate Governance has established Audit and Human Resource & Remuneration committees, the names of their members are given in the Company's profile.
11. Operating and financial data and key ratios of six years are annexed.
12. Except as stated hereunder, no trades in the shares of the Company were carried out by the Directors, Chief Executive Officer, Chief Finance Officer, Company Secretary, their spouses and minor children:

Mrs. Shamshad Begum purchased	57,871	shares
Mr. Nadeem Abdullah purchased	13,000	shares
Mr. Amer Abdullah purchased	80,000	shares
Mr. Yousuf Abdullah purchased	35,500	shares
Mrs. Usma Yousuf purchased	93,126	shares
Mrs. Noshaba Nadeem purchased	87,000	shares
Mrs. Ambareen Amer purchased	130,000	shares
Mr. Shahid Abdullah purchased	7,500	shares
Mrs. Shireen Shahid purchased	175,000	shares

DIRECTORS' REPORT TO THE SHAREHOLDERS

13. During the year fourteen meetings of the Board of Directors were held. Attendance by each Director is as follows:

Mr. Mohammad Abdullah	=11=
Mr. Shahid Abdullah	=10=
Mr. Nadeem Abdullah	=8=
Mr. Amer Abdullah	=7=
Mr. Yousuf Abdullah	=8=
Mr. Mohammad Yamin	=8=
Mr. Naveed-ul-Islam	=7=

14. During the year five meetings of the Audit Committee were held. Attendance by each Director is as follows:

Mr. Nadeem Abdullah	=5=
Mr. Amer Abdullah	=3=
Mr. Mohamad Yamin	=4=

15. During the year one meeting of the Human Resource and Remuneration Committee was held and attended by all the members.

16. 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.

PATTERN OF SHAREHOLDING

The pattern of share holding of the Company as at 30 June, 2013 is annexed. This statement is prepared in accordance with the Code of Corporate Governance and the Companies Ordinance, 1984.

AUDITORS

The present Auditors, Hameed Chaudhri & Company, Chartered Accountants retire and being eligible offer themselves for re-appointment. Audit Committee and Board of Directors have also recommended their appointment as auditors for the year ending 30 June, 2014.

ACKNOWLEDGEMENTS

The Management would like to place on record its appreciation for the support of the Board of Directors, Shareholders, regulatory authorities, financial institutions, customers, suppliers' dedication and hard work of the Staff and Workers.

For and on behalf of the Board of Directors

Karachi.
Dated: 07 October, 2013

SHAHID ABDULLAH
Chief Executive

SIX YEARS GROWTH AT A GLANCE

Years	2013	2012	2011	2010	2009	2008
Rupees in thousand						
Sales	13,892,288	12,811,236	15,452,802	9,235,884	7,452,430	6,511,531
Gross profit	2,274,244	1,964,936	3,309,614	1,910,843	1,374,293	1,090,933
Net profit before taxation	1,318,477	963,189	2,075,095	826,574	456,502	1,296,189
Net profit after taxation	1,189,195	866,885	1,924,523	723,768	387,168	1,212,437
Share capital	196,875	196,875	196,875	196,875	196,875	175,000
Share holder's equity	11,836,695	9,172,704	8,622,786	6,663,648	5,193,664	6,711,492
Fixed assets - net	3,726,879	3,257,771	2,853,444	2,785,925	2,779,448	2,895,538
Total assets	17,265,683	13,100,347	12,819,301	11,927,071	10,174,863	11,548,511
Dividend - Cash	% 120.00	50.00	50.00	15.00	0.00	7.50
Specie dividend	% -	-	-	-	-	8.00
Bonus shares	% -	-	-	-	12.50	-
RATIOS:						
PROFITABILITY						
Gross profit	% 16.37	15.34	21.42	20.68	18.44	16.75
Profit before tax	% 9.49	7.52	13.43	8.95	6.13	19.91
Profit after tax	% 8.56	6.77	12.45	7.83	5.20	18.62
RETURN TO SHAREHOLDERS						
Return on equity before tax	% 11.14	10.50	24.07	12.40	8.79	19.31
Return on equity after tax	% 10.05	9.45	22.32	10.86	7.45	18.62
Basic earning per share after tax	Rs. 60.40	44.03	97.75	36.76	19.67	69.28
ACTIVITY						
Sales to fixed assets	Times 3.73	3.93	5.42	3.32	2.68	2.25
Sales to total assets	Times 0.80	0.98	1.21	0.77	0.73	0.56
LIQUIDITY/LEVERAGE						
Current ratio	1.33 : 1	1.45 : 1	1.41 : 1	1.08 : 1	1.16 : 1	0.99 : 1
Debt equity ratio	Times 0.02	0.06	0.09	0.21	0.35	0.16
Total liability to equity	Times 0.46	0.43	0.49	0.79	0.96	0.72
BREAK UP VALUE PER SHARE	Rs. 601.23	465.92	437.98	338.47	263.81	383.51

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE 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 **SAPPHIRE FIBRES LIMITED** (the Company) to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

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

As part of our audit of the 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.

Further, Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 as applicable to the Company for the year ended June 30, 2013.

Karachi.
Dated: 07 October, 2013

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner:
Osman Hameed Chaudhri

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No.35 of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Directors	Nil
Executive Directors	Mr. Mohammad Abdullah Mr. Shahid Abdullah Mr. Naveed-ul-Islam
Non-Executive Directors	Mr. Nadeem Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Mohammad Yamin

The condition of clause 1(b) of the CCG in relation to independent director will be applicable after election of next Board of Directors of the Company in July 2014.

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 a NBFII. None of the Directors is a member of a stock exchange.
4. During the year no casual vacancies occurred in the board of directors.
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 power of board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the board.
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 board met at least once in every quarter. Written notice 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. In accordance with the criteria specified on clause (xi) of CCG, majority of Directors of the Company are exempted from the requirement of directors' training program and rest of the Directors to be trained within specified time.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

10. There was no new appointment of CFO/Company Secretary during the year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive Directors.
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. 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 non-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 Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Karachi
Dated: 07th October, 2013

SHAHID ABDULLAH
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

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

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, total 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 the Ordinance.

Karachi.
Dated: 07 October, 2013

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner:
Osman Hameed Chaudhri

BALANCE SHEET

As at June 30, 2013

	Note	2013 Rupees	2012 Rupees
ASSETS			
Non current assets			
Property, plant and equipment	4	3,557,779,240	3,085,526,201
Investment property	5	164,424,860	165,704,254
Intangible assets	6	4,674,757	6,540,461
Long term investments	7	6,820,297,846	5,189,900,562
Long term loans	8	940,540	959,884
Long term deposits		19,630,265	17,544,265
		<u>10,567,747,508</u>	<u>8,466,175,627</u>
Current assets			
Stores, spare parts and loose tools	9	145,290,525	143,774,644
Stock-in-trade	10	3,596,007,453	2,511,898,722
Trade debts	11	1,295,501,814	886,453,425
Loans and advances	12	40,575,649	12,275,951
Trade deposits and short term prepayments	13	9,749,300	4,263,488
Short term investments	14	1,044,511,205	639,354,775
Other receivables	15	227,158,398	204,797,130
Tax refunds due from Government	16	245,985,590	142,535,587
Cash and bank balances	17	93,155,833	88,817,298
		<u>6,697,935,767</u>	<u>4,634,171,020</u>
Total assets		<u>17,265,683,275</u>	<u>13,100,346,647</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
35,000,000 (2012: 35,000,000) ordinary shares of Rs.10 each		350,000,000	350,000,000
Issued, subscribed and paid-up capital	18	196,875,000	196,875,000
Reserves	19	4,811,876,086	3,100,830,002
Unappropriated profit		6,827,943,789	5,874,999,004
Total equity		<u>11,836,694,875</u>	<u>9,172,704,006</u>
Non current liabilities			
Long term finances	20	204,581,000	528,292,375
Staff retirement benefit - gratuity	21	157,919,549	141,194,159
Deferred taxation	22	38,674,535	54,769,353
Long term security deposit		2,100,000	2,100,000
		<u>403,275,084</u>	<u>726,355,887</u>
Current liabilities			
Trade and other payables	23	1,011,933,374	884,983,380
Accrued mark-up / interest	24	52,238,618	51,976,599
Short term borrowings	25	3,518,582,681	1,817,701,860
Current portion of long term finances	20	300,000,000	316,184,625
Provision for taxation		142,958,643	130,440,290
		<u>5,025,713,316</u>	<u>3,201,286,754</u>
Contingencies and commitments	26		
Total equity and liabilities		<u>17,265,683,275</u>	<u>13,100,346,647</u>

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

Karachi:
Dated: 07 October, 2013SHAHID ABDULLAH
CHIEF EXECUTIVENADEEM ABDULLAH
DIRECTOR

PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales	27	13,892,288,766	12,811,236,497
Cost of sales	28	(11,618,044,313)	(10,846,300,587)
Gross profit		2,274,244,453	1,964,935,910
Distribution cost	29	(565,094,568)	(574,455,470)
Administrative expenses	30	(174,359,118)	(152,984,567)
Other income	31	348,219,759	293,066,549
Other expenses	32	(109,347,061)	(114,678,935)
Profit from operations		1,773,663,465	1,415,883,487
Finance cost	33	(455,186,551)	(452,693,998)
Profit before taxation		1,318,476,914	963,189,489
Taxation	34	(129,282,129)	(96,304,192)
Profit after taxation		1,189,194,785	866,885,297
Basis and diluted earnings per share	35	60.40	44.03

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

Karachi:
Dated: 07 October , 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

NADEEM ABDULLAH
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2013

	2013 Rupees	2012 Rupees
Profit after taxation	1,189,194,785	866,885,297
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Unrealised gain / (loss) due to change in fair value of available for sale investments		
- long term	1,570,397,284	(233,225,857)
- short term	139,093,881	28,656,925
Related deferred tax	1,554,919	(2,485,285)
Adjustment for gains included in profit and loss account upon sale of available-for-sale investments	-	(10,242,238)
	1,711,046,084	(217,296,455)
Forward foreign exchange contracts		
Reclassification adjustments relating to gain realised on settlement of foreign currency contracts	-	(1,233,326)
Other comprehensive income / (loss) for the year	1,711,046,084	(218,529,781)
Total comprehensive income for the year	2,900,240,869	648,355,516

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

Karachi:
Dated: 07 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

NADEEM ABDULLAH
DIRECTOR

CASH FLOW STATEMENT

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	402,566,119	1,882,775,329
Staff retirement benefits paid		(27,709,651)	(23,626,692)
Finance cost paid		(454,924,532)	(443,516,494)
Taxes paid		(204,536,615)	(172,483,842)
Workers' profit participation fund paid		(50,760,654)	(122,545,552)
Long term loans - net		19,344	902,813
Long term deposits - net		(2,086,000)	(147,305)
Net cash (used in) / generated from operating activities		(337,431,989)	1,121,358,257
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(781,276,190)	(688,838,050)
Investment in an Associated Company		(60,000,000)	(40,000,000)
Increase in short term investments		(289,155,659)	(259,250,493)
Proceeds from sale of short term investments		31,206,436	142,514,633
Proceeds from disposal of operating fixed assets		12,395,000	14,193,432
Proceeds from sale of stores and spares		1,493,988	550,799
Dividend and interest income received		303,884,741	236,631,112
Net cash used in investing activities		(781,451,684)	(594,198,567)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		54,581,000	89,477,000
Long term finances - repaid		(394,477,000)	(380,033,002)
Dividend paid		(235,105,005)	(98,153,765)
Short term borrowings - net		1,698,223,213	(172,738,635)
Net cash generated from / (used in) financing activities		1,123,222,208	(561,448,402)
Net increase / (decrease) in cash and cash equivalents		4,338,535	(34,288,712)
Cash and cash equivalents- at beginning of the year		88,817,298	123,106,010
Cash and cash equivalents- at end of the year		93,155,833	88,817,298

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

Karachi:
Dated: 07 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

NADEEM ABDULLAH
DIRECTOR

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2013

	Reserves					Sub-total	Unappropriated profit	Total
	Issued, subscribed and paid-up capital	Capital	General	Unrealised gain on available for sale investments	Unrealised gain on hedging instruments			
----- Rupees -----								
Balance as at July 1, 2011	196,875,000	145,740,000	1,183,845,000	1,988,541,457	1,233,326	3,319,359,783	5,106,551,207	8,622,785,990
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	866,885,297	866,885,297
Other comprehensive loss	-	-	-	(217,296,455)	(1,233,326)	(218,529,781)	-	(218,529,781)
	-	-	-	(217,296,455)	(1,233,326)	(218,529,781)	866,885,297	648,355,516
Transaction with owners								
Final dividend for the year ended June 30, 2011 at the rate of Rs.5 per share	-	-	-	-	-	-	(98,437,500)	(98,437,500)
Balance as at June 30, 2012	196,875,000	145,740,000	1,183,845,000	1,771,245,002	-	3,100,830,002	5,874,999,004	9,172,704,006
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	1,189,194,785	1,189,194,785
Other comprehensive income	-	-	-	1,711,046,084	-	1,711,046,084	-	1,711,046,084
	-	-	-	1,711,046,084	-	1,711,046,084	1,189,194,785	2,900,240,869
Transactions with owners								
Final dividend for the year ended June 30, 2012 at the rate of Rs.5 per share	-	-	-	-	-	-	(98,437,500)	(98,437,500)
Interim dividend for the year ended June 30, 2013 at the rate of Rs.7 per share	-	-	-	-	-	-	(137,812,500)	(137,812,500)
	-	-	-	-	-	-	(236,250,000)	(236,250,000)
Balance as at June 30, 2013	196,875,000	145,740,000	1,183,845,000	3,482,291,086	-	4,811,876,086	6,827,943,789	11,836,694,875

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

Karachi:

Dated: 07 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

NADEEM ABDULLAH
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on June 5, 1979 as a public limited company and its shares are quoted on Karachi, Islamabad and Lahore Stock Exchanges. It is principally engaged in manufacture and sale of yarn, fabrics and garments. The registered office of the Company is located at 316, Cotton Exchange Building, Karachi and its mills are located at Raiwind Road Lahore, Feroze Wattoan and Kharianwala in district Sheikhpura.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for available for sale investments and derivative financial instruments which have been marked to market and the recognition of defined benefit plan at present value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All financial information presented in Pak Rupee has been rounded-off to the nearest Rupee except stated otherwise.

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

2.4.1 Amendments to published standards that are effective in the current year and relevant to the Company

IAS 1, 'Financial statements presentation' (effective from period beginning on or after July 1, 2012). The amendment to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange difference on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available for sales financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The Company has applied the amendments by incorporating the effects in these financial statements.

2.4.2 Amendments to approved accounting standards and interpretation effective in the current year but are not relevant to the Company

There are other amendments to approved accounting standards and interpretation that are mandatory for the periods beginning on or after July 1, 2012, however, they are currently not considered to be relevant to the Company or do not have any impact on the Company's financial statements and therefore, have not been detailed in these financial statements.

2.4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to published standards are not effective (although available for early adoption) for the financial year beginning on or after July 1, 2012 and have not been early adopted by the Company:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

- (a) Annual improvements to IFRSs 2011 are applicable on accounting periods beginning on or after January 1, 2013. This set of amendments includes changes to five standards: IFRS 1, 'First time adoption', IAS 1, 'Financial statements presentation', IAS 16, 'Property, plant and equipment', IAS 32, 'Financial instruments; Presentation' and IAS 34, 'Interim financial reporting'. The application of these amendments have no material impact on the Company's financial statements.
- (b) IFRS 7 (Amendments), 'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 1, 2013. The amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The Company shall apply these amendments from July 1, 2013 and does not expect to have a material impact on its financial statements.
- (c) IFRS 9 - 'Financial instruments - classification and measurement'. This is applicable on accounting periods beginning on or after January 1, 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. The Company shall apply this standard from July 1, 2015 and does not expect to have a material impact on its financial statements.

- (d) IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after January 1, 2013. These amendments shall eliminate the corridor approach and calculate finance cost on a net funding basis. The Company shall apply these amendments from July 1, 2013 and its impact on retained earnings shall be Rs. 11.878 million due to recognition of current unrecognised actuarial losses on its defined benefit plan.

There are other new accounting standards, amendments to approved accounting standards and interpretations that are mandatory for future years. However they are not considered relevant to the Company and therefore are not expected to materially effect the financial statements of the Company for accounting periods on the dates prescribed therein.

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

- useful lives and residual values of property, plant & equipment and intangible assets (notes 3.1 and 3.3);
- classification and valuation of investments (note 3.4);
- net realizable values of stores, spare parts & loose tools and stock-in-trade (note 3.6);
- provision for doubtful debts (note 3.7);
- employees' retirement benefits (note 3.15);
- provision for taxation (note 3.16); and
- provisions (note 3.18).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

Owned assets

Property, plant and equipment except for freehold land, leasehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, leasehold land and capital work in progress are stated at cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition.

Subsequent costs

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to expenses as and when incurred.

Depreciation

Depreciation is charged to income on the reducing balance method at rates stated in note 4.1. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which asset is disposed-off.

The depreciation method and useful lives of items of operating fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing depreciation charge for the current and future periods.

Residual values and useful lives are reviewed, at each reporting date, and adjusted if impact on depreciation is significant.

Disposal

Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sale proceeds and the carrying amount of assets and are included in the profit and loss account.

Impairment

The Company assesses at each reporting date whether there is any indication that operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in income currently.

3.2 Investment property

Investment property is held for long term rental yields / capital appreciation. Investment property of the Company comprises of freehold land, leasehold land and buildings on leasehold land and is valued using the cost model i.e. at cost less accumulated depreciation and any impairment losses, if any.

Depreciation is calculated by applying reducing balance method at the rate stated in note 5. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged from the month in which the property is disposed off.

Cost of investment property is determined on the same basis as used for Company's owned assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

3.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any.

Cost of the intangible asset (i.e. computer software) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Subsequent expenditure

Expenditure which enhance or extend the performance of computer softwares beyond its original specification and useful life are recognised as capital improvement and added to the original cost of the softwares. Costs associated with maintaining computer softwares are recognised as an expense as and when incurred.

Amortization

Amortization is charged over the estimated useful life of the asset on a systematic basis applying the straight-line method. Amortization on additions to intangible assets is charged from the date in which an asset is put to use and on disposal upto the date of disposal.

3.4 Investments

Classification of investment is made on the basis of intended purposes for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Regular purchases and sales of investments are recognised on the trade date i.e. the date on which the Company commits to purchase or sell the investment. All investments are initially recognised at fair value plus transaction costs except for 'investments at fair value through profit or loss'. 'Investments at fair value through profit or loss' are initially recognised at fair value and related transaction costs are charged to the profit and loss account.

(a) Investments at fair value through profit or loss

These are held for trading investment. An investment is classified in this category if acquired principally for the purpose of selling in the short-term. Investments in this category are classified as current assets. These are stated at fair value with any resulting gain or losses recognised directly in profit or loss account.

(b) Held to maturity financial assets

Investments with fixed or determinable payments and fixed maturity in respect of which the Company has positive intent and ability to hold till maturity. Held to maturity investments are measured at amortized cost using the effective interest rate method. There were no held to maturity investments as at the reporting date.

(c) Investments in Subsidiary and Associated Companies

Investments in Subsidiary and Associates are carried at cost less impairment, if any. Impairment losses are recognised as an expense. At each reporting date, the Company reviews the carrying amounts of investments and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists, the carrying amount of the investments is adjusted to the extent of impairment loss which is recognised as an expense in profit and loss account.

(d) Available for sale

Investments, which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

Subsequent to initial recognition these are re-measured to fair value, with any resultant gain or loss being recognised in other comprehensive income. Gains or losses on available for sale investments are recognised in other comprehensive income until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in other comprehensive income is included in current period's profit and loss account.

The Company uses latest stock exchange quotations to determine the fair value of its quoted investments.

Equity instruments that do not have a quoted market price in an active market and whose fair values can not be reliably measured or determined, are stated at cost.

3.5 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at lower of cost and net realizable value. The cost of inventory is based on monthly weighted average cost. Items in transit are stated at cost comprising of invoice value plus other charges thereon accumulated upto the reporting date.

Provision for obsolete and slow moving stores, spares parts and loose tools is determined based on management's estimate regarding their future usability.

3.6 Stock-in-trade

Stock-in-trade is valued at lower of cost and net realizable value (NRV) except waste, which is valued at NRV. Cost has been determined as follows:

Particulars	Mode of valuation
Raw materials	- weighted average cost
Raw materials in transit	- cost accumulated to the reporting date.
Work-in-process	- cost of direct materials and appropriate manufacturing overheads
Finished goods	- lower of average cost and net realizable value
Waste	- net realizable value

Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

3.7 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade and other receivables are assessed at each reporting date and a provision is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

3.8 Government grants

These represent transfer of resources from government, government agencies and similar bodies, in return for the past or future compliances with certain conditions relating to the operating activities of the Company.

Government grant towards research and development activities is recognised in profit and loss account as deduction from the relevant expenses on matching basis.

3.9 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

Financial instruments carried on the balance sheet include long term & short term investments, long term loans, deposits, trade debts, loans and advances, other receivables, bank balances, long term finances, long term security deposit, trade & other payables, accrued mark-up / interest and short term borrowings. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.10 Derivative financial instruments and hedging activities

The Company designates derivative financial instruments as either fair value hedge or cash flow hedge.

(a) Cash flow hedge

Cash flow hedge represents a hedge of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that is designated and qualify as cash flow hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are reclassified to the profit and loss account in the periods in which the hedged item will affect the profit and loss account.

(b) Fair value hedge

Fair value hedge represents hedges of the fair value of a recognised asset or liability or a firm commitment. Changes in the fair value of a derivative that is designated and qualify as fair value hedge is recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly.

3.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

3.12 Impairment

(a) Financial assets

The Company assesses at end of each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence is identified to exist, the said financial asset or group of financial assets are impaired and an impairment loss is recognised in the profit and loss account for the amount by which the assets' carrying amounts exceed their recoverable amounts. Impairment losses of equity instruments, once recognised are not reversed through profit or loss account.

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash-in-hand and balances with banks.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

3.14 Borrowings

These are recognised initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings as interest expense.

3.15 Employees' retirement benefits

(a) Defined contribution plan

The Company operates a defined contribution plan through an approved provident fund for its management staff. Equal monthly contributions are made both by the Company and employees at the rate of 8.33% of the basic salary to the fund.

(b) Defined benefit plan

The Company operates an un-funded gratuity scheme under which the gratuity is payable on cessation of employment, subject to a minimum qualifying period of service. The contributions are made under the scheme in accordance with the actuary's recommendations based on the actuarial valuation using projected unit credit method. The latest actuarial valuation was carried on June 30, 2013.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses.

Cumulative net unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the present value of the defined benefit obligation are amortized in the profit and loss account over the remaining average service life of the employees over which they are expected to receive benefits.

3.16 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years and deferred tax.

Current

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income / equity in which case it is included in other comprehensive income / equity.

3.17 Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

3.18 Provisions

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

3.19 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the reporting date. All arising exchange gains and losses are recognised in the profit and loss account.

3.20 Revenue recognition

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

- revenue from sale is recognised on delivery / despatch of goods to customers;
- export rebate is accounted for on accrual basis;
- dividend income from investments is recognised when the Company's right to receive dividend is established; and
- return on bank deposits are accounted for on time proportion basis.

3.21 Borrowing costs

Borrowing costs directly attributable to construction / acquisition of qualifying assets are capitalised up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account.

3.22 Dividend and appropriation to reserves

Dividend and other appropriations to reserves are recognised in the period in which they are approved.

3.23 Earnings per share

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2013 Rupees	2012 Rupees
Operating fixed assets	4.1	3,271,220,504	2,938,162,595
Capital work-in-progress	4.5	286,558,736	147,363,606
		<u>3,557,779,240</u>	<u>3,085,526,201</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

4.1 Operating fixed assets

	Freehold land	Leasehold land	Residential buildings and others on freehold land	Leased office buildings on freehold land	Factory buildings on freehold land	Plant and machinery	Electric installations	Fire fighting	Equipment						Vehicles	Furniture and fixtures	Arms and ammunition	Tools	Total
									Office	Mills	Electric / gas	Computer hardware	P	P					
As at July 1, 2011																			
Cost	137,638,756	6,000,000	243,728,844	19,272,656	589,126,832	4,010,618,591	64,909,152	797,369	18,084,803	27,628,500	21,184,111	7,474,832	102,578,828	27,180,172	149,886	248,579	5,276,621	9,111	
Accumulated depreciation	-	-	85,714,655	15,434,653	365,012,063	2,163,607,143	28,312,799	5,114,483	12,455,605	16,330,747	2,840,307	3,851,046	46,057,488	13,934,137	114,132	179,087	2,754,355	3,345	
Net book value	137,638,756	6,000,000	158,014,189	3,838,003	224,114,769	1,847,011,448	36,596,353	285,886	5,629,198	11,297,753	18,343,804	3,623,786	56,521,340	13,246,035	35,754	69,492	2,522,266	5,666	
Year ended June 30, 2012																			
Opening net book value	137,638,756	6,000,000	158,014,189	3,838,003	224,114,769	1,847,011,448	36,596,353	285,886	5,629,198	11,297,753	18,343,804	3,623,786	56,521,340	13,246,035	35,754	69,492	2,522,266	5,666	
Additions	-	-	5,082,740	-	58,712,002	616,270,495	-	236,208	-	-	-	548,966	14,495,000	2,443,216	-	-	-	-	-
Disposals: - cost - accumulated depreciation	-	-	-	-	-	39,544,836 (35,466,167) 4,078,669	-	-	-	-	-	-	12,637,750 (8,823,037) 3,814,713	-	-	-	-	-	-
Depreciation charge for the year	-	-	7,965,868	767,601	25,299,004	218,120,261	3,659,636	38,431	562,919	1,129,776	1,834,380	1,191,232	12,045,324	1,354,258	3,576	6,950	273,979	2,161	
Closing net book value	137,638,756	6,000,000	155,111,061	3,070,402	257,527,767	2,241,083,013	32,936,717	483,663	5,066,279	10,167,977	16,509,424	2,981,520	55,156,303	14,334,993	32,178	62,542	2,938,162	5,995	
As at June 30, 2012																			
Cost	137,638,756	6,000,000	248,791,584	19,272,656	647,838,834	4,587,344,250	64,909,152	1,033,577	18,084,803	27,628,500	21,184,111	8,023,798	104,436,078	29,623,388	149,886	248,579	5,922,207	9,952	
Accumulated depreciation	-	-	93,680,523	16,202,254	390,311,067	2,346,261,237	31,972,435	549,914	13,018,524	17,460,523	4,674,687	5,042,278	49,279,775	15,288,395	117,708	186,037	2,984,045	3,577	
Net book value	137,638,756	6,000,000	155,111,061	3,070,402	257,527,767	2,241,083,013	32,936,717	483,663	5,066,279	10,167,977	16,509,424	2,981,520	55,156,303	14,334,993	32,178	62,542	2,938,162	5,995	
Year ended June 30, 2013																			
Opening net book value	137,638,756	6,000,000	155,111,061	3,070,402	257,527,767	2,241,083,013	32,936,717	483,663	5,066,279	10,167,977	16,509,424	2,981,520	55,156,303	14,334,993	32,178	62,542	2,938,162	5,995	
Additions	79,033,196	-	96,802,921	-	103,831,390	320,412,467	11,387,295	-	-	583,000	-	3,866,767	22,585,646	3,578,378	-	-	-	-	
Disposals: - cost - accumulated depreciation	-	-	-	-	-	63,923,571 (56,345,610) 7,577,961	-	-	-	-	-	-	9,967,500 (7,976,608) 1,990,892	-	-	-	-	-	
Depreciation charge for the year	-	-	11,232,166	614,081	30,191,816	235,319,694	3,427,334	48,366	506,628	1,025,755	1,650,942	1,144,794	12,592,678	1,690,572	3,218	6,254	299,454	2,986	
Closing net book value	216,671,952	6,000,000	240,681,816	2,456,321	331,167,341	2,316,597,825	40,896,678	435,297	4,559,651	9,725,222	14,858,482	5,703,493	63,158,379	16,222,799	28,960	56,288	3,271,220	5,981	
At June 30, 2013																			
Cost	216,671,952	6,000,000	345,594,505	19,272,656	751,670,224	4,843,833,146	76,296,447	1,033,577	18,084,803	28,211,500	21,184,111	11,890,565	117,054,224	33,201,766	149,886	248,579	6,490,397	9,941	
Accumulated depreciation	-	-	104,912,689	16,816,335	420,502,883	2,525,235,321	35,399,769	598,280	13,525,152	18,486,278	6,325,629	6,187,072	53,895,845	16,978,967	120,926	192,291	3,219,177	4,337	
Net book value	216,671,952	6,000,000	240,681,816	2,456,321	331,167,341	2,316,597,825	40,896,678	435,297	4,559,651	9,725,222	14,858,482	5,703,493	63,158,379	16,222,799	28,960	56,288	3,271,220	5,981	
Depreciation rate (%)	5	20	10	10	10	10	10	10	10	10	10	10	20	10	10	10	10	10	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

4.2 Finance charges aggregated Rs.5.675 million at rate of 12.60% were included in the cost of property, plant and equipment during the preceding year.

4.3 Depreciation charge for the year has been allocated as follows:

	Note	2013 Rupees	2012 Rupees
Cost of goods manufactured	28.1	290,968,339	269,032,229
Administrative expenses	30	8,485,959	4,946,987
		<u>299,454,298</u>	<u>273,979,216</u>

4.4 The detail of operating fixed assets disposed-off is as follows:

Asset description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers
----- Rupees -----							
Plant and machinery							
Auto cone winder with accessories	7,502,119	6,007,199	1,494,920	1,700,000	205,080	Negotiation	Bisma Textile Mills Limited, Lahore.
Auto cone winder	7,020,076	6,296,399	723,677	1,250,000	526,323	- do -	Lucky Cotton Mills (Private) Limited, Karachi.
Auto cone winder	7,020,077	6,296,399	723,678	1,250,000	526,322	- do -	Anoud Textile Mills Limited, Karachi.
Combers, sliver lap and ribbon lap machines	18,490,094	16,545,473	1,944,621	1,500,000	(444,621)	- do -	Noon Textile Mills Limited, Bhalwal.
Combers and unilap machines	21,756,523	19,472,933	2,283,590	2,750,000	466,410	- do -	Qadri Textile Mills Limited, Lahore.
Drawing machine	860,000	794,783	65,217	85,000	19,783	- do -	Mr. Anas Iftikhar Toor, Samanabad, Faisalabad.
Lycra attachment	637,341	466,212	171,129	215,000	43,871	- do -	Reliance Cotton Spinning Mills Limited. (an Associated Company)
Lycra attachment	637,341	466,212	171,129	135,000	(36,129)	- do -	Sapphire Textile Mills Limited. (an Associated Company)
	63,923,571	56,345,610	7,577,961	8,885,000	1,307,039		
Vehicles							
BMW	5,700,000	4,785,537	914,463	1,500,000	585,537	- do -	Bilal Fibres Limited, Lahore
Daihatsu Cuore	474,000	353,497	120,503	280,000	159,497	- do -	Muhammad Mudasir, Haroonabad, Bahawalnagar.
Daihatsu Cuore	459,000	362,072	96,928	140,000	43,072	- do -	Mr. Maqsood Ahmed, Jaranwala, Faisalabad.
Daihatsu Cuore	479,000	329,453	149,547	405,000	255,453	- do -	Muhammad Ijaz, Toba Tek Singh.
Daihatsu Cuore	519,000	327,676	191,324	225,000	33,676	- do -	Reliance Cotton Spinning Mills Limited. (an Associated Company)
Honda Civic	1,272,500	1,040,848	231,652	300,000	68,348	- do -	Mr. Bilal Saleem, Cheema Colony, Sargodha.
Suzuki Cultus	600,000	419,449	180,551	520,000	339,449	- do -	Syed Zeeshan Asif, Gulshan-e-Iqbal, Karachi
Suzuki Cultus	464,000	358,076	105,924	140,000	34,076	- do -	Muhammad Riaz, Garden Town, Bahawalpur.
	9,967,500	7,976,608	1,990,892	3,510,000	1,519,108		
June 30, 2013	73,891,071	64,322,218	9,568,853	12,395,000	2,826,147		
June 30, 2012	52,182,586	44,289,204	7,893,382	14,193,432	6,300,050		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

4.5 Capital work-in-progress	2013	2012
	Rupees	Rupees
Buildings	39,974,474	22,755,730
Plant and machinery	234,618,262	45,488,625
Advance payments against:		
- factory / office building	4,000,000	70,475,476
- plant and machinery	7,966,000	-
- furniture and fixtures	-	685,225
- vehicles	-	7,958,550
	11,966,000	79,119,251
	286,558,736	147,363,606

5. INVESTMENT PROPERTY

	Freehold land	Leasehold land	Buildings on leasehold land	Total
	----- Rupees -----			
At July 1, 2011				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	5,784,494	5,784,494
Net book value	31,750,000	121,160,317	14,215,486	167,125,803
Year ended June 30, 2012				
Opening net book value	31,750,000	121,160,317	14,215,486	167,125,803
Depreciation charge for the year	-	-	1,421,549	1,421,549
Closing net book value	31,750,000	121,160,317	12,793,937	165,704,254
At June 30, 2012				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	7,206,043	7,206,043
Net book value	31,750,000	121,160,317	12,793,937	165,704,254
Year ended June 30, 2013				
Opening net book value	31,750,000	121,160,317	12,793,937	165,704,254
Depreciation charge for the year	-	-	1,279,394	1,279,394
Closing net book value	31,750,000	121,160,317	11,514,543	164,424,860
At June 30, 2013				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	8,485,437	8,485,437
Net book value	31,750,000	121,160,317	11,514,543	164,424,860
Depreciation rate (% per annum)			10	

5.1 Depreciation for the year has been grouped under other expenses (note 32).

5.2 In the opinion of the directors, the market value of investment property at the reporting date has not changed materially from last year.

5.3 Leasehold land and buildings on leasehold land represent the Company's share (50%) of jointly controlled leasehold land with buildings thereon located at Sector 23, Korangi Industrial Area, Korangi Township, Karachi, registered jointly in the name of the Company and Sapphire Textile Mills Limited (an Associated Company).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

6. INTANGIBLE ASSETS	Note	2013 Rupees	2012 Rupees
These represent computer softwares			
Net carrying value as at July 1,			
Opening net book value		6,540,461	2,199,161
Additions		-	5,558,510
Amortization for the year		(1,865,704)	(1,217,210)
Net book value as at June 30,		<u>4,674,757</u>	<u>6,540,461</u>
Gross carrying value as at June 30,			
Cost		19,378,754	19,378,754
Accumulated amortization		14,703,997	12,838,293
Net book value		<u>4,674,757</u>	<u>6,540,461</u>
Amortization rate (% per annum)		<u>20</u>	<u>20</u>
7. LONG TERM INVESTMENTS			
	Note	2013 Rupees	2012 Rupees
Subsidiary Company - at cost	7.1	2,505,204,020	2,505,204,020
Associated Companies - at cost	7.4	121,154,269	61,154,269
Others - available for sale	7.7	4,193,939,557	2,623,542,273
		<u>6,820,297,846</u>	<u>5,189,900,562</u>
7.1 Subsidiary Company- unquoted			
Sapphire Electric Company Limited (SECL)			
250,520,402 (2012: 250,070,402) ordinary shares of Rs.10 each	7.2	<u>2,505,204,020</u>	<u>2,505,204,020</u>
Equity held: 59.08% (2012: 59.08%)			
Break-up value per share on the basis of un-audited financial statements Rs.16.10 (2012: Rs.12.63)			
7.2 The Company has pledged 172,446,420 shares of SECL with a financial institution under Share Pledge Agreement dated April 16, 2007 and Working Capital Support Agreement dated August 13, 2010 as security against financing facilities advanced to SECL.			
7.3 The Company has provided irrevocable standby letters of credit aggregating Rs.400 million (2012: Rs.400 million) for equity injection in the SECL in accordance with Project Funds Agreement in favor of security trustee of syndicate lenders of SECL. Further, the Company has also provided bank guarantee of Rs.5 million (2012: Rs.800 million) to the lenders on behalf of SECL as security against its short term borrowings.			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

7.4 Associated Companies	Note	2013 Rupees	2012 Rupees
Quoted			
Reliance Cotton Spinning Mills Limited 138,900 ordinary shares of Rs.10 each Equity held: 1.35% Fair value: Rs.7.266 million (2012: Rs.3.181 million)		1,306,269	1,306,269
SFL Limited 10,199 ordinary shares of Rs.10 each Equity held: 0.051% Fair value: Rs.0.424 million		100,000	100,000
Unquoted			
Sapphire Power Generation Limited 1,550,000 ordinary shares of Rs.10 each Equity held: 16.54% Break-up value per share on the basis of un-audited financial statements Rs.85.67 (2012: Rs.70.22)		19,748,000	19,748,000
Sapphire Dairies (Private) Limited - note 7.5 10,000,000 ordinary shares of Rs.10 each Equity held: 9.52% Break-up value per share on the basis of un-audited financial statements Rs.10.15 Advance for issue of shares		100,000,000	-
		-	40,000,000
		100,000,000	40,000,000
		121,154,269	61,154,269
7.5 The Company, during the year, has been allotted with 10,000,000 ordinary shares of Rs.10 each			
7.6 The existence of significant influence by the Company is evidenced by the representation On the board of directors of abovementioned Associated Companies.			
7.7 Others - available for sale			
Quoted			
MCB Bank Limited 17,169,807 (2012: 15,608,916) ordinary shares of Rs.10 each -cost	7.8	918,695,933	918,695,933
Adjustment arising from re-measurement to fair value		3,246,527,546	1,676,130,262
		4,165,223,479	2,594,826,195
Unquoted			
Novelty Enterprises (Private) Limited 2,351,995 ordinary shares of Rs.10 each		28,716,078	28,716,078
		4,193,939,557	2,623,542,273
7.8 Investments having market value of Rs.376.015 million (2012: Rs.257.672 million) have Been pledged with a Financial institution as security against short term borrowings (note 25).			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

8. LONG TERM LOANS- Secured	Note	2013 Rupees	2012 Rupees
Due from			
- Executives	8.1 & 8.2	1,252,724	1,535,480
- Employees		893,160	711,280
	8.3	<u>2,145,884</u>	<u>2,246,760</u>
Less: Recoverable within one year			
- Executives		792,724	857,756
- Employees		412,620	429,120
		<u>1,205,344</u>	<u>1,286,876</u>
		<u>940,540</u>	<u>959,884</u>
8.1 Reconciliation of carrying amount of loans to executives:			
Balance at the beginning of the year		1,535,480	2,444,173
Add: disbursements		985,000	200,000
Less: repayments		1,267,756	1,108,693
Balance at the end of the year		<u>1,252,724</u>	<u>1,535,480</u>
8.2	The maximum amount outstanding at the end of any month during the year ended June 30, 2013 from executives Aggregated to Rs.1.816 million (2012: Rs.2.196 million).		
8.3	These interest free loans are granted for various purposes and are recoverable in monthly instalments which vary from case to case. These loans are secured against employees' vested retirement benefits.		
9. STORES, SPARE PARTS AND LOOSE TOOLS	Note	2013 Rupees	2012 Rupees
Stores		58,079,682	61,632,829
Spare parts		75,285,688	62,928,335
Loose tools		136,307	186,311
Items in transit		16,168,283	23,493,812
		<u>149,669,960</u>	<u>148,241,287</u>
Less: provision for slow moving items	9.1	4,379,435	4,466,643
		<u>145,290,525</u>	<u>143,774,644</u>
9.1 Provision for slow moving items			
Balance at beginning of the year		4,466,643	3,964,608
Add: provision made during the year		118,092	552,567
Less: reversal made during the year		205,300	50,532
Balance at end of the year		<u>4,379,435</u>	<u>4,466,643</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

10. STOCK-IN-TRADE	Note	2013 Rupees	2012 Rupees
Raw materials:			
- at mills		2,658,458,768	1,671,444,736
- in transit		243,008,340	254,498,095
- at third party's premises	10.1	<u>50,763,084</u>	<u>42,465,807</u>
		<u>2,952,230,192</u>	1,968,408,638
Work-in-process		250,170,763	196,702,362
Finished goods:			
- at mills		331,212,735	329,456,457
- at third party's premises	10.2	<u>62,393,763</u>	<u>17,331,265</u>
		<u>393,606,498</u>	346,787,722
		<u><u>3,596,007,453</u></u>	<u><u>2,511,898,722</u></u>

10.1 This stock is lying for processing and finishing.

10.2 Finished goods include items costing Rs.109.817million (2012: Rs.1.650 million) stated at their net realizable values aggregating Rs.101.694 million (2012: Rs.1.152 million). The amount charged to the profit and loss account in respect of stocks written down to their net realisable values is Rs.8.123 million (2012: Rs.0.498 million).

11. TRADE DEBTS- Considered good	Note	2013 Rupees	2012 Rupees
Unsecured			
- local		219,369,907	104,386,620
- indirect export		75,710,000	65,845,591
	11.1	<u>295,079,907</u>	170,232,211
Secured			
- export		953,386,545	637,703,431
- indirect export		47,035,362	78,517,783
		<u>1,000,421,907</u>	716,221,214
		<u><u>1,295,501,814</u></u>	<u><u>886,453,425</u></u>

11.1 These include the following amounts due from related parties:

Amer Cotton Mills (Private) Limited	7,809	761,156
Diamond Fabrics Limited	20,765,254	18,249,255
Reliance Cotton Spinning Mills Limited	12,119,717	-
Sapphire Finishing Mills Limited	-	26,913
Sapphire Textile Mills Limited	29,303,360	10,364,655
Sapphire Electric Company Limited	-	3,000
	<u>62,196,140</u>	<u>29,404,979</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

11.2 The ageing of trade debts at June 30, is as follows:

	Related parties		Aggregated	
	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees
Not past due	1,985,637	2,080,000	894,000,343	560,321,704
Past due 1-30 days	-	-	282,039,369	261,272,022
Past due 31-60 days	59,099,452	27,254,629	15,569,931	64,334,472
Past due 61-90 days	847,801	-	16,716,997	306,473
Past due 91-365 days	263,250	70,350	30,280,863	85,851
Past due one year	-	-	56,894,311	132,903
	<u>62,196,140</u>	<u>29,404,979</u>	<u>1,295,501,814</u>	<u>886,453,425</u>

12. LOANS AND ADVANCES- Considered good

	Note	2013 Rupees	2012 Rupees
Advances to:			
- suppliers		34,814,397	3,880,728
- employees		3,303,929	3,245,444
Current portion of long term loans to employees	8	1,205,344	1,286,876
Letters of credit		921,755	3,002,643
Other advances		330,224	860,260
		<u>40,575,649</u>	<u>12,275,951</u>

13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	5,000	5,000
Margin deposits against letters of credit	6,907,200	-
Prepayments	2,837,100	4,258,488
	<u>9,749,300</u>	<u>4,263,488</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

14. SHORT TERM INVESTMENTS - Available for sale (Quoted)

2013 No. of shares / certificates	2012	Name of the investee company	Market value		Cost	
			2013	2012	2013	2012
			----- Rupees -----			
3,093	3,093	Aisha Steel Mills Limited	24,775	30,930	30,930	30,930
10,000	10,000	Al-Ghazi Tractors Limited	2,045,000	2,053,400	2,961,666	2,961,666
34,030	30,937	Arif Habib Corporation Limited	754,105	956,881	2,777,642	2,777,642
38,000	38,000	Attock Petroleum Limited	21,322,560	18,026,060	12,153,848	12,153,848
598,500	-	Bank Al-Falah Limited	10,904,670	-	10,413,077	-
741,889	741,889	Bank Al-Habib Limited	20,171,962	21,121,580	18,177,000	18,177,000
100,000	-	DG Khan Cement Company Limited	8,369,000	-	5,657,066	-
545,400	-	Engro Corporation Limited	66,467,898	-	54,962,390	-
1,100,000	200,000	Fauji Cement Company Limited	14,619,000	1,126,000	9,401,406	1,422,289
6,198,500	5,000,000	Fatima Fertilizer Company Limited	153,908,755	123,350,000	128,964,161	99,564,494
1,932,452	1,707,452	Fauji Fertilizer Company Limited	207,603,318	189,612,545	173,716,701	147,493,287
500	500	First Punjab Modaraba	1,125	740	2,942	2,942
10,500	10,500	Haji Muhammad Ismail Mills Limited	24,150	15,855	126,000	126,000
134	134	KASB Modaraba	536	641	-	-
78,500	78,500	Lucky Cement Limited	16,463,020	9,058,115	10,889,646	10,889,646
250,000	250,000	Meezan Balanced Fund	3,245,000	2,590,000	2,500,000	2,500,000
110,000	110,000	National Refinery Limited	26,463,800	25,452,900	27,851,542	27,851,542
1,302	1,302	NIB Bank Limited	3,021	2,591	13,733	13,733
75,000	-	Nishat Mills Limited	7,065,750	-	5,718,674	-
650,000	593,320	Pakistan Oilfields Limited	323,290,500	217,712,841	210,021,584	186,136,609
450,000	150,000	Pakistan Petroleum Limited	95,211,000	28,243,500	77,397,317	25,861,994
150,000	-	Pakistan State Oil Company Limited	48,057,000	-	33,444,323	-
300,000	-	The Hub Power Company Limited	18,495,000	-	16,844,523	-
143	143	Trust Investment Bank Limited	260	196	660	660
			1,044,511,205	639,354,775	804,026,831	537,964,282
Add: Adjustment arising from re-measurement to fair value					240,484,374	101,390,493
Market value					1,044,511,205	639,354,775

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

15. OTHER RECEIVABLES	Note	2013 Rupees	2012 Rupees
Advance income tax		204,564,042	182,125,833
Export rebate		20,965,140	14,526,997
Due from Subsidiary Company		-	7,550,000
Due from Associated Companies			
- Amer Cotton Mills (Private) Limited		364,633	-
- Diamond Fabrics Limited		278,539	172,630
- Reliance Cotton Spinning Mills Limited		631,187	135,096
- Sapphire Textile Mills Limited		-	80,577
- Sapphire Finishing Mills Limited		190,288	-
	15.1	1,464,647	388,303
Others		164,569	205,997
		227,158,398	204,797,130

15.1 Due from the Associated Companies has arisen due to sharing of expenses on account of combined offices.

16. TAX REFUNDS DUE FROM GOVERNMENT	Note	2013 Rupees	2012 Rupees
Sales tax		124,340,063	70,972,182
Income tax		109,723,968	58,929,236
Excise duty		11,921,559	12,634,169
		245,985,590	142,535,587

17. CASH AND BANK BALANCES	Note	2013 Rupees	2012 Rupees
Cash-in-hand	17.1	8,333,114	6,040,132
Balances with banks on:			
- current accounts	17.2	75,842,854	74,944,721
- term deposit account (TDA)	17.3	6,040,000	6,040,000
- dividend account		2,939,865	1,792,445
		84,822,719	82,777,166
		93,155,833	88,817,298

17.1 Cash-in-hand includes Rs.0.205 million (2012: Rs.0.205 million) advanced to employees for various expenses.

17.2 These include foreign currency deposits amounting to US.\$ 346,272 (2012: US.\$ 377,632).

17.3 Effective rates of profit on TDA, during the year, ranged from 5.00% to 8.25% (2012: 6.00% to 8.25%) per annum. The maturity period of the TDA is one year from the date of original issue. This deposit is under bank's lien as security of bank guarantee issued on behalf of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		2013	2012
----- Numbers -----			Rupees	Rupees
11,775,000	11,775,000	Ordinary shares of Rs.10 each fully paid in cash	117,750,000	117,750,000
7,912,500	7,912,500	Ordinary shares of Rs.10 each issued as fully paid bonus shares	79,125,000	79,125,000
19,687,500	19,687,500		196,875,000	196,875,000

18.1 10,173,796 (2012: 9,663,681) ordinary shares of Rs.10 each are held by Associated Companies as at year-end.

19. RESERVES

	Note	2013 Rupees	2012 Rupees
Capital reserve - share premium	19.1	145,740,000	145,740,000
General reserve		1,183,845,000	1,183,845,000
Unrealised gain on available for sale investments		3,482,291,086	1,771,245,002
		4,811,876,086	3,100,830,002

19.1 This represents excess of consideration received on issue of ordinary shares over face Value on ordinary shares issued

20. LONG TERM FINANCES- Secured

	Note	2013 Rupees	2012 Rupees
From banking companies:			
- Allied Bank Limited	20.1	450,000,000	750,000,000
- Habib Metropolitan Bank Limited	20.2	-	5,000,000
- Standard Chartered Bank (Pakistan) Limited	20.3	-	89,477,000
- NIB Bank Limited	20.4	54,581,000	-
		504,581,000	844,477,000
Less: current portion grouped under current liabilities		300,000,000	316,184,625
		204,581,000	528,292,375

20.1 The Company has arranged general purpose demand finance facility amounting Rs.1,500 million from Allied Bank Limited. This finance facility is repayable in 10 equal semi-annual instalments commenced from February 24, 2010 and ending on August 24, 2014. This finance facility carries mark-up at the rates ranging from 10.50% to 13.03% (2012: 12.96% to 14.50%) per annum and is secured against pari passu hypothecation charge of Rs.2,000 million over present and future fixed moveable assets of the Company.

20.2 The Company had arranged long term finance facilities aggregating Rs.60.103 million from Habib Metropolitan Bank Limited to retire import documents under SBP scheme for imported & locally manufactured plant and machinery. These finance facilities were repayable in 6 equal semi-annual instalments commenced from September 19, 2009 and have been fully repaid in November 2012. These finance facilities carried mark-up at the rate of 9.20% (2012: at the rates ranged from 8.00% to 9.20%) per annum and were secured against exclusive charge of Rs.81.50 million over the machinery financed by the bank.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

- 20.3 The Company had arranged long term finance facilities aggregating Rs.89.477 million from Standard Chartered Bank (Pakistan) Limited to retire import documents under SBP scheme for imported plant and machinery. Originally these finance facilities were repayable in 8 equal semi-annual instalments commenced from January, 2013; however, the Company has repaid the entire outstanding balance of these finance facilities in January 2013. These finance facilities carried mark-up at the rate of 12.60% (2012: 12.60%) per annum and were secured against exclusive charge of Rs.90 million over imported plant and machinery.
- 20.4 The Company, during the year, has arranged long term finance facilities aggregating Rs.54.581 million from NIB Bank Limited to retire import documents under SBP scheme for imported plant and machinery. These finance facilities are repayable in 12 equal semi-annual instalments commencing from September 8, 2014 and ending on May 29, 2020. These finances carry mark-up at the rate of 9.40% per annum and are secured against joint pari passu charge of Rs.200 million over the machinery financed by the bank.

21. STAFF RETIREMENT BENEFIT- Gratuity

Projected unit credit method, based on the following significant assumptions, is used for valuation of gratuity:

	2013	2012
- discount rate	10.50%	13.00%
- expected rate of growth per annum in future salaries	9.50%	12.00%
- average expected remaining working life time of employees	7 years	7 years
The amount recognised in the balance sheet is as follows:	2013 Rupees	2012 Rupees
Present value of defined benefit obligation	169,798,106	131,457,117
Unrecognised actuarial (losses) / gains	(11,878,557)	9,737,042
Net liability at end of the year	<u>157,919,549</u>	<u>141,194,159</u>
Net liability at beginning of the year	141,194,159	121,145,344
Charge to profit and loss account	44,435,041	43,675,507
Benefits paid	(27,709,651)	(23,626,692)
Net liability at end of the year	<u>157,919,549</u>	<u>141,194,159</u>
The movement in the present value of defined benefit obligation is as follows:		
Balance at beginning of the year	131,457,117	117,869,526
Current service cost	27,345,616	27,173,773
Interest cost	17,089,425	16,501,734
Benefits paid	(27,709,651)	(23,626,692)
Actuarial loss / (gain)	21,615,599	(6,461,224)
Balance at end of the year	<u>169,798,106</u>	<u>131,457,117</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

22. DEFERRED TAXATION- Net	2013 Rupees	2012 Rupees
Credit balance arising in respect of:		
- accelerated tax depreciation allowance	39,736,740	55,875,690
- re-measurement of short term investments	4,720,834	6,275,753
	<u>44,457,574</u>	<u>62,151,443</u>
Debit balances arising in respect of:		
- staff retirement benefit - gratuity	5,626,989	7,155,720
- provision for slow moving items	156,050	226,370
	<u>5,783,039</u>	<u>7,382,090</u>
	<u>38,674,535</u>	<u>54,769,353</u>

22.1 The Company's income of the current year is chargeable to tax under presumptive tax regime of the Income Tax Ordinance, 2001. However, deferred tax liability / (asset) is recognised as management is not certain whether income of subsequent years is chargeable to tax under presumptive tax regime or normal tax regime.

23. TRADE AND OTHER PAYABLES	Note	2013 Rupees	2012 Rupees
Trade creditors	23.1	245,613,714	266,379,724
Bills payable	23.2	80,690,070	42,528,516
Advance payments		19,361,569	39,073,319
Accrued expenses	23.3	413,678,306	344,204,728
Sind government infrastructure fee	23.4	84,450,642	72,104,685
Workers' profit participation fund	23.5	70,373,990	50,760,654
Workers' welfare fund	23.6	88,380,045	61,637,929
Unclaimed dividend		2,982,639	1,837,644
Unrealised loss on re-measurement of forward exchange contract		-	1,073,537
Others		6,402,399	5,382,644
		<u>1,011,933,374</u>	<u>884,983,380</u>

23.1 These include Rs.45.113 million (2012: Rs.139.040 million) which pertains to Associated Companies.

23.2 These are secured against import documents.

23.3 These include Rs.16.862 million (2012: Rs.18.579 million) which pertains to Associated Companies.

23.4 This provision has been recognised against disputed infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Company has contested this issue in the Sindh High Court (the High Court). The Company filed an appeal in the Supreme Court against the judgement of the High Court dated September 15, 2008 partly accepting the appeal by declaring the levy and collection of infrastructure fee prior to December 28, 2006 was illegal and ultra vires and after that it was legal. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

The above appeals were disposed off in May 2011 with a joint statement of the parties that, during the pendency of the appeals, another law come into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. Accordingly, the petition was filed in the High Court in respect of the above view. During the pendency of this appeal an interim arrangement was agreed whereby bank guarantees furnished for consignments cleared upto December 27, 2006 were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006 while payment was made against the balance amount. Similar arrangement continued for the consignments released during the current year.

As at June 30, 2013, the Company has provided bank guarantees aggregating Rs.61.950 million (2012: Rs.51.950 million) in favour of Excise and Taxation Department. The management believes that the chance of success in the petition is in the Company's favour.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

	2013 Rupees	2012 Rupees
23.5 Workers' profit participation fund		
Balance at beginning of the year	50,760,654	112,188,833
Add: interest on funds utilised in the Company's business	3,660,036	10,356,719
	54,420,690	122,545,552
Less: payments made during the year	54,420,690	122,545,552
	-	-
Add: allocation for the year	70,373,990	50,760,654
Balance at end of the year	70,373,990	50,760,654
23.6 Workers' welfare fund		
Balance at beginning of the year	61,637,929	42,348,881
Add: charge for the year	26,742,116	19,289,048
Balance at end of the year	88,380,045	61,637,929
24. ACCRUED MARK-UP / INTEREST		
Mark-up / interest accrued on:		
- long term finances	5,898,788	13,071,489
- short term borrowings	46,339,830	38,905,110
	52,238,618	51,976,599
25. SHORT TERM BORROWINGS		
	Note	2013 Rupees
Running / cash finances - secured	25.1	3,518,124,098
Temporary bank overdraft - unsecured	25.2	458,583
		2012 Rupees
		1,812,193,776
		5,508,084
		3,518,582,681
		1,817,701,860

25.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs.8,561 million (2012: Rs.7,746 million). These finance facilities, during the year, carry mark-up at the rates ranging from 8.70% to 13.74% (2012: 11.00% to 15.12%) per annum. The aggregate short term finance facilities are secured against hypothecation charge of Rs.15,180 million (2012: Rs.15,180 million) over current and fixed assets of the Company, lien on export / import documents, trust receipts and promissory notes duly signed by the directors.

Included in short term finances Rs.Nil (U.S.\$ Nil) [2012: Rs.423.201 million {U.S.\$ 4.493 million}] representing foreign currency loans obtained from various banks. The rates of mark-up on these finance facilities ranged from 1.47% to 2.25% (2012: 1.40% to 3.65%) per annum.

Short term finance facilities available from various commercial banks under mark-up arrangements on Group basis aggregate to Rs.174 million (2012: Rs.174 million).

Facilities available for opening letters of credit and guarantee aggregate to Rs.8,007 million (2012: Rs.7,987 million) out of which the amount remained unutilised at the year-end was Rs.6,276 million (2012: Rs.4,811 million). These facilities are secured against lien on shipping documents, hypothecation charge on current and fixed assets of the Company, cash margins, pledge of shares and counter guarantee by the Company.

Facilities available for opening letters of credit and discounting of local & foreign bills from various commercial banks on Group basis aggregate to Rs.2,615 million (2012: Rs.2,415 million) and are secured against lien over export documents / bills, lien over import documents & commodities, lien over discrepant documents negotiated under letters of credits / contracts and trust receipts.

Abovementioned facilities are expiring on various dates upto June 30, 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

25.2 This represents book overdraft balance due to unrepresented cheques.

26. CONTINGENCIES AND COMMITMENTS

Contingencies

26.1 Guarantees aggregating Rs.161.614 million (2012: Rs.151.614 million) have been issued by banks of the Company to various Government institutions and Sui Northern Gas Pipeline Limited.

Commitments

	Note	2013 Rupees	2012 Rupees
26.2 Commitments in respect of :			
- letters of credit for capital expenditure		<u>102,079,920</u>	<u>64,102,476</u>
- letters of credit for purchase of raw materials and stores, spare parts and chemicals		<u>96,846,515</u>	<u>225,727,900</u>
- capital expenditure other than letters of credit		<u>42,300,000</u>	<u>31,050,363</u>
- forward foreign exchange contracts		<u>-</u>	<u>277,714,562</u>
- foreign bills discounted		<u>1,112,467,785</u>	<u>1,534,120,173</u>
26.3 Refer contents of note 7.3.			

27. SALES- Net

Export sales:

Yarn	27.1	9,976,461,740	9,738,615,642
Fabric		284,186,569	326,286,377
Garments		1,576,541,258	1,179,909,074
Waste	27.2	314,009,438	395,421,817
		<u>12,151,199,005</u>	<u>11,640,232,910</u>

Local sales:

Yarn		1,481,397,604	834,759,197
Fabric		14,694,779	16,774,264
Garments		15,661,839	6,734,949
Raw material		26,513,983	88,629,556
Waste	27.2	155,556,077	154,454,076
Others		1,504,512	-
		<u>1,695,328,794</u>	<u>1,101,352,042</u>
		<u>13,846,527,799</u>	<u>12,741,584,952</u>
Export rebate		23,714,362	13,888,295
Processing services		51,732,755	43,256,115
Duty drawback		-	16,291,905
		<u>13,921,974,916</u>	<u>12,815,021,267</u>
Less: sales tax		(29,686,150)	(3,784,770)
		<u>13,892,288,766</u>	<u>12,811,236,497</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

27.1 This includes indirect export of Rs.1,861.362 million (2012: Rs.2,166.458 million).

27.2 Waste sales include sale of comber noil.

27.3 Exchange gain due to currency rate fluctuations relating to export sales amounting To Rs.34.820 million (2012: Rs.16.322 million) has been included in export sales.

28. COST OF SALES

	Note	2013 Rupees	2012 Rupees
Finished goods at beginning of the year		346,787,722	361,721,515
Cost of goods manufactured	28.1	11,638,822,876	10,754,982,403
Cost of raw materials sold		26,040,213	76,384,391
		11,664,863,089	10,831,366,794
		12,011,650,811	11,193,088,309
Finished goods at end of the year		(393,606,498)	(346,787,722)
		11,618,044,313	10,846,300,587
28.1 Cost of goods manufactured			
Work-in-process at beginning of the year		196,702,362	156,743,398
Raw materials consumed	28.2	8,480,349,151	8,147,288,314
Salaries, wages and benefits	28.3	731,602,038	601,267,244
Packing stores consumed		218,592,148	197,015,980
General stores consumed		218,756,666	197,587,007
Dyes and chemicals consumed		174,039,316	141,225,132
Processing charges		343,449,617	217,509,646
Depreciation	4.3	290,968,339	269,032,229
Fuel and power		1,099,532,632	926,428,720
Repair and maintenance		49,771,154	34,918,469
Insurance		40,134,747	26,497,189
Vehicles' running		14,321,953	13,456,472
Travelling and conveyance		10,467,948	10,754,474
Printing and stationery		3,196,599	2,881,354
Legal and professional charges		3,977,341	567,170
Fee and subscription		3,292,968	1,421,710
Entertainment		4,297,064	4,001,512
Telephone		1,945,925	2,046,418
Postage		545,631	192,129
Rent, rates and taxes		3,050,040	850,198
		11,888,993,639	10,951,684,765
Work-in-process at end of the year		(250,170,763)	(196,702,362)
		11,638,822,876	10,754,982,403

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
28.2 Raw materials consumed			
Stocks at beginning of the year		1,713,910,543	1,864,657,542
Purchases		9,475,660,460	7,996,541,315
		11,189,571,003	9,861,198,857
Stocks at end of the year		(2,709,221,852)	(1,713,910,543)
		8,480,349,151	8,147,288,314

28.3 Salaries, wages and benefits include Rs.44.435 million (2012: Rs.43.676 million) in respect of staff retirement benefit - gratuity.

29. DISTRIBUTION COST

	Note	2013 Rupees	2012 Rupees
Salaries and other benefits	29.1	20,706,640	18,630,259
Travelling, conveyance and entertainment		11,567,795	11,117,500
Vehicles' running		2,484,864	1,987,871
Telephone		852,477	1,154,327
Postage		1,967,183	1,923,348
Printing and stationery		794,157	589,808
Sample expenses		3,437,493	4,295,392
Commission:			
- local		3,948,984	4,371,548
- export		180,783,048	204,102,639
		184,732,032	208,474,187
Freight and forwarding:			
- local		6,907,450	4,218,936
- export		283,041,418	271,094,044
		289,948,868	275,312,980
Export development surcharge		24,048,855	23,826,297
Other export expenses		24,554,204	27,143,501
		565,094,568	574,455,470

29.1 Salaries and other benefits include Rs.0.857 million (2012: Rs.0.730 million) in respect Of contribution to staff provident fund.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

30. ADMINISTRATIVE EXPENSES	Note	2013 Rupees	2012 Rupees
Directors' remuneration		21,331,201	19,526,425
Salaries and other benefits	30.1	76,558,078	70,922,509
Telephone		1,293,546	1,085,116
Postage		438,909	380,207
Fee and subscription		4,154,553	2,674,221
Legal and professional charges		4,348,694	5,382,085
Entertainment		1,777,188	1,346,993
Travelling and conveyance		4,050,718	3,930,485
Printing and stationery		3,098,859	2,807,799
Rent, rates and taxes		3,628,967	3,164,580
Advertisement		238,530	104,500
Electricity, gas and water		5,247,845	4,221,845
Repair and maintenance		3,169,855	3,256,046
Vehicles' running		8,311,338	7,261,107
Charity and donations	30.2	22,424,762	18,497,208
Insurance		3,934,412	2,259,244
Depreciation	4.3	8,485,959	4,946,987
Amortization	6	1,865,704	1,217,210
		174,359,118	152,984,567

30.1 Salaries and other benefits include Rs.2.819 million (2012: Rs.2.801 million) in respect of contribution to staff provident fund.

30.2 Donations include the following in which directors are interested :

- Donation of Rs.16.410 million (2012: Rs.10.480 million) charged in these financial statements is paid to Abdullah Foundation, 212 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. Mr. Muhammad Abdullah, Mr. Shahid Abdullah, Mr. Nadeem Abdullah, Mr. Amer Abdullah, Mr. Yousaf Abdullah and Mr. Muhammad Yamin have common directorship in both Companies.
- Donation of Rs.0.650 million (2012: Rs.0.600 million) charged in these financial statements is paid to Jamal-Ud-Din Fatima Charitable trust, 149 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi (a trust). Mr. Muhammad Abdullah, Mr. Shahid Abdullah and Mr. Nadeem Abdullah, directors of the Company are trustees of the trust.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

31. OTHER INCOME	Note	2013 Rupees	2012 Rupees
Income from financial assets			
Dividend income		303,451,929	236,182,001
Interest income		432,812	449,111
Gain on sale of short term investments		8,113,326	17,606,173
Others		-	1,835
		311,998,067	254,239,120
Income from non-financial assets			
Gain on disposal of operating fixed assets	4.4	2,826,147	6,300,050
Gain on sale of store and spares		91,288	-
Rental income from investment property		13,734,000	12,713,550
Scrap sales [Net of sales tax aggregating Rs.3.093 million (2012: Rs.3.343 million)]		19,570,257	19,813,829
		36,221,692	38,827,429
		348,219,759	293,066,549
32. OTHER EXPENSES			
Depreciation of investment property	5	1,279,394	1,421,549
Workers' profit participation fund	23.5	70,373,990	50,760,654
Workers' welfare fund	23.6	26,742,116	19,289,048
Auditors' remuneration	32.1	1,526,000	1,416,000
Loss on sale of store and spares		-	8,665
Net exchange loss including loss on forward contracts		2,657,608	41,783,019
Sales tax paid under amnesty scheme		5,053,499	-
Others		1,714,454	-
		109,347,061	114,678,935
32.1 Auditors' remuneration			
Fee for:			
Annual audit		1,210,000	1,100,000
Half yearly review		200,000	200,000
Review of Code of Corporate Governance		62,000	62,000
Audit of retirement funds		20,000	20,000
Out-of-pocket expenses		34,000	34,000
		1,526,000	1,416,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
33. FINANCE COST			
Mark-up / interest on:			
- long term finances		69,550,296	128,739,131
- short term borrowings		324,871,276	263,602,230
Interest on workers' profit participation fund	23.5	3,660,036	10,356,719
Bank and other financial charges		57,104,943	49,995,918
		<u>455,186,551</u>	<u>452,693,998</u>
34. TAXATION			
Current			
- for the year	34.1	142,958,643	130,440,290
- for prior year		863,384	(15,428,085)
		<u>143,822,027</u>	<u>115,012,205</u>
Deferred			
- relating to temporary differences		(13,154,367)	(18,708,013)
- resulting from reduction in tax rate		(1,385,531)	-
		<u>(14,539,898)</u>	<u>(18,708,013)</u>
		<u>129,282,129</u>	<u>96,304,192</u>

34.1 The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001 and current year's provision is made accordingly.

34.2 Income tax assessments of the Company have been completed upto the Tax Year 2012; the return for the said year has not been taken-up for audit till June 30, 2013.

34.3 Numeric tax rate reconciliation is not presented as the Company's income is chargeable to tax under presumptive tax regime.

35. EARNINGS PER SHARE basic and diluted

	2013 Rupees	2012 Rupees
Net profit for the year	<u>1,189,194,785</u>	<u>866,885,297</u>
	----- Number of shares -----	
Weighted average number of ordinary shares outstanding for the year	<u>19,687,500</u>	<u>19,687,500</u>
	----- Rupees -----	
Basic earnings per share	<u>60.40</u>	<u>44.03</u>

35.1 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2013 and June 30, 2012 which would have any effect on the earnings per share if the option to convert is exercised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
36. CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,318,476,914	963,189,489
Adjustments for non-cash charges and other items:			
Depreciation		299,454,298	273,979,216
Depreciation of investment property		1,279,394	1,421,549
Amortization		1,865,704	1,217,210
Staff retirement benefit - gratuity		44,435,041	43,675,507
(Reversal) / provision for slow moving items		(87,208)	502,035
Provision for workers' profit participation fund		70,373,990	50,760,654
Provision for workers' welfare fund		26,742,116	19,289,048
Gain on disposal of operating fixed assets		(2,826,147)	(6,300,050)
Gain on sale of short term investments		(8,113,326)	(17,606,173)
(Gain) / loss on sale of stores and spares		(91,288)	8,665
Dividend and interest income		(303,884,741)	(236,631,112)
Finance cost		455,186,551	452,693,998
Exchange loss		2,657,608	41,783,019
Working capital changes	36.1	(1,502,902,787)	294,792,274
		402,566,119	1,882,775,329
36.1 Working capital changes			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		(2,831,373)	1,973,997
Stock-in-trade		(1,084,108,731)	(121,886,592)
Trade debts		(409,048,389)	197,881,361
Loans and advances		(28,299,699)	2,253,841
Deposits, other receivables and sales tax		(58,064,142)	(28,836,583)
		(1,582,352,334)	51,386,024
Increase in trade and other payables		79,449,547	243,406,250
		(1,502,902,787)	294,792,274

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	----- Rupees -----					
Managerial remuneration	6,833,500	6,000,000	6,386,402	5,960,148	46,336,200	45,579,559
Contribution to provident fund trust	-	-	31,298	183,704	2,135,934	1,979,074
Perquisites and benefits:						
House rent	3,075,000	2,700,000	2,873,883	2,682,072	20,851,297	20,510,803
Utilities	341,500	300,000	301,515	283,380	3,160,195	3,192,732
Medical	-	-	47,728	39,204	1,352,687	1,455,364
Leave encashment / bonus	-	-	612,515	517,262	10,975,459	11,152,609
Other benefits	-	-	827,860	860,655	10,771,616	13,866,910
	3,416,500	3,000,000	4,663,501	4,382,573	47,111,254	50,178,418
	10,250,000	9,000,000	11,081,201	10,526,425	95,583,388	97,737,051
No. of persons	1	1	2	2	45	50

37.1 Certain executives are provided with Company maintained vehicles.

38. FINANCIAL RISK MANAGEMENT

The Company has exposures to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

38.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk mainly arises from investments, loans, deposits, trade debts, other receivables and balances with banks.

The carrying amount of financial assets represents the maximum credit exposure. The financial assets exposed to credit risk aggregated to Rs.6,645.490 million (2012: Rs.4,263.313 million) as at June 30, 2013. Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 99% (2012: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

	2013 Rupees	2012 Rupees
Long term investments	4,193,939,557	2,623,542,273
Long term loans	940,540	959,884
Long term deposits	19,630,265	17,544,265
Trade debts	1,295,501,814	886,453,425
Loans and advances	4,509,273	4,532,320
Trade deposits	5,000	5,000
Short term investments	1,044,511,205	639,354,775
Other receivables	1,629,216	8,144,300
Bank balances	84,822,719	82,777,166
	6,645,489,589	4,263,313,408

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Export sales made to major customers are secured through letters of credit.

The maximum exposure to credit risk for trade debts at the reporting date by geographic region is as follows:

	2013 Rupees	2012 Rupees
Domestic	342,115,269	248,749,994
Export	953,386,545	637,703,431
	1,295,501,814	886,453,425

The majority of export debts of the Company are situated in Asia, Europe, America, Australia and Africa.

The maximum exposure to credit risk for trade debts at the reporting date by type of product is as follows:

	2013 Rupees	2012 Rupees
Yarn	1,077,644,446	669,630,905
Fabric	23,354,629	29,979,431
Garments	160,311,732	138,754,491
Processing services	4,224,601	5,845,130
Waste	17,880,493	38,737,394
Other	12,085,913	3,506,074
	1,295,501,814	886,453,425

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.936.677 million have been realised subsequent to the year-end and for other debts there are reasonable grounds to believe that the amounts will be realised in short course of time. Further, major export debts are secured through letters of credit.

The credit quality of loans, advances, deposits and other receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. Accordingly, management does not expect any counter party to fail in meeting their obligations.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

Name of Bank	Rating agency	Short term rating	Long term rating	2013 Rupees	2012 Rupees
MCB Bank Limited	PACRA	A1+	AAA	30,473,760	17,520,436
National Bank of Pakistan	JCR-VIS	A-1+	AAA	9,758,435	3,415,288
Meezan Bank Limited	JCR-VIS	A-1+	AA	290,665	596,519
Allied Bank Limited	PACRA	A1+	AA+	-	463,007
Bank Alfalah Limited	PACRA	A1+	AA	-	10,001,000
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA	-	5,160,600
Habib Bank Limited	JCR-VIS	A-1+	AAA	11,314,951	12,039,426
Citibank N.A.	Moody's	P-2	A3	559,434	585,941
Faysal Bank Limited	PACRA	A1+	AA	6,475,480	6,195,635
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	22,597,319	21,394,512
Bank Al-Habib Limited	PACRA	A1+	AA+	2,390,856	3,784,377
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	A	153,563	343,254
Askari Bank Limited	PACRA	A1+	AA	691,095	121,994
Deutsche Bank AG	Moody's	P-1	A2	97,161	947,513
NIB Bank Limited	PACRA	A1+	AA-	20,000	207,664
				84,822,719	82,777,166

The credit risk in respect of investments is also limited as such investee companies enjoy reasonably high credit rating.

38.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity 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 table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
----- Rupees -----				
June 30, 2013				
Long term finances	504,581,000	525,267,081	333,939,614	191,327,467
Long term security deposit	2,100,000	2,100,000	-	2,100,000
Trade and other payables	749,367,128	749,367,128	749,367,128	-
Accrued mark-up / interest	52,238,618	52,238,618	52,238,618	-
Short term borrowings	3,518,124,098	3,633,021,829	3,633,021,829	-
	4,826,410,844	4,961,994,656	4,768,567,189	193,427,467
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
----- Rupees -----				
June 30, 2012				
Long term finances	844,477,000	996,034,217	409,711,788	586,322,429
Long term security deposit	2,100,000	2,100,000	-	2,100,000
Trade and other payables	660,333,256	660,333,256	660,333,256	-
Accrued mark-up / interest	51,976,599	51,976,599	51,976,599	-
Short term borrowings	1,812,193,776	1,881,996,836	1,881,996,836	-
	3,371,080,631	3,592,440,908	3,004,018,479	588,422,429

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up / interest rates effective at the respective year-ends. The rates of mark-up / interest have been disclosed in the respective notes to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

38.3 Market risk

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

(a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk on import of raw materials, stores & spare parts, plant & machinery, export of goods and foreign currency bank accounts mainly denominated in U.S. Dollar, Euro, Swiss Frank and Japanese Yen. The Company's exposure to foreign currency risk for U.S. Dollar, Euro, Swiss Frank and Japanese Yen is as follows:

June 30, 2013	Rupees	U.S.\$	Euro	CHF.	YEN.
Bills payables	80,690,070	258,713	160,600	45,000	29,700,000
Advance payments	15,517,807	156,746	-	-	-
	96,207,877	415,459	160,600	45,000	29,700,000
Trade debts	(953,386,545)	(9,295,703)	(285,838)	-	-
Bank balances	(34,142,446)	(346,272)	-	-	-
Gross balance sheet exposure	(891,321,114)	(9,226,516)	(125,238)	45,000	29,700,000
Outstanding letters of credit	198,926,435	930,586	106,958	889,841	-
Net exposure	(692,394,679)	(8,295,930)	(18,280)	934,841	29,700,000
June 30, 2012	Rupees	U.S.\$	Euro	CHF.	YEN.
Bills payables	42,528,516	401,474	49,996	-	-
Advance payments	35,224,677	373,935	-	-	-
Short term borrowings	423,200,812	4,492,578	-	-	-
Accrued mark-up on short term borrowings	1,957,536	20,761	-	-	-
	502,911,541	5,288,748	49,996	-	-
Trade debts	(637,703,431)	(6,049,143)	(583,413)	-	-
Bank balances	(35,497,408)	(377,632)	-	-	-
Gross balance sheet exposure	(170,289,298)	(1,138,027)	(533,417)	-	-
Outstanding letters of credit	289,830,376	2,326,928	319,138	314,884	1,484,560
Forward exchange contracts	277,714,562	948,276	1,600,000	-	-
Net exposure	397,255,640	2,137,177	1,385,721	314,884	1,484,560

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2013	2012	2013	2012
U.S.\$ to Rupee	96.44	89.06	98.80 / 98.60	94.20 / 94.00
EURO to Rupee	125.35	119.05	129.11 / 128.85	118.50 / 118.25
CHF to Rupee	101.81	97.46	104.71	98.62
YEN to Rupee	1.1100	1.1511	0.9994	1.1869

Sensitivity analysis

At the reporting date, if Rupee had strengthened by 10% against US Dollar, Euro, Swiss Frank and Japanese Yen with all other variables held constant, profit for the year would have been increased / (decreased) by the amount shown below mainly as a result of net foreign exchange gain / (loss) on translation of financial assets and liabilities.

	2013	2012
	Rupees	Rupees
Effect on profit for the year:		
US \$ to Rupee	(90,973,452)	(10,697,454)
EURO to Rupee	(1,613,694)	(6,307,656)
CHF to Rupee	471,195	-
YEN to Rupee	2,968,218	-
	(89,147,733)	(17,005,110)

The weakening of Rupee against US Dollar, Euro, Swiss Frank and Yen would have had an equal but opposite impact on the profit for the year.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

(b) Interest rate risk

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

Majority of the interest rate risk of the Company arises from short & long term borrowings from banks and deposits with banks. At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

	2013 ---- Effective rate ---- %	2012 %	2013 ---- Carrying amount ---- Rupees	2012 Rupees
Fixed rate instruments				
Financial assets				
Term deposit account	5.00 to 8.25	6.00 to 8.25	6,040,000	6,040,000
Financial liabilities				
Long term finances	9.40 & 12.60	8.00 to 12.60	54,581,000	94,477,000
Variable rate instruments				
Financial liabilities				
Long term finances	10.50 to 13.03	12.96 to 14.50	450,000,000	750,000,000
Short term borrowings	1.47 to 13.74	1.40 to 15.12	3,518,124,098	1,812,193,776

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in mark-up / interest rates at reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in mark-up / interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the year 2012.

Cash flow sensitivity - variable rate instruments

As at June 30, 2013 - Rupees	39,681,241	(39,681,241)
As at June 30, 2012 - Rupees	25,621,938	(25,621,938)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Company.

(c) Price risk

Price risk is the risk that fair value or future cash flows of a 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 traded in the market. The Company's investments in ordinary shares of listed companies aggregating to Rs.5,209.735 million (2012: Rs.3,234.181 million) are exposed to price risk due to changes in market price.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

	2013 Rupees	2012 Rupees
Effect on equity	520,973,468	323,418,097
Effect on investments	520,973,468	323,418,097

The sensitivity analysis prepared is not necessarily indicative of the effects on equity / investments of the Company.

38.4 Fair value hierarchy

The below table analyzes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

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

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

The following table presents the Company's assets that are measured at fair value as at June 30, 2013:

	Level 1	Level 2	Level 3
	----- Rupees -----		
June 30, 2013			
Assets			
Available for sale investments	5,209,734,684	-	28,716,078
	Level 1	Level 2	Level 3
	----- Rupees -----		
June 30, 2012			
Assets			
Available for sale investments	3,234,180,970	-	28,716,078

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

38.5 Fair value of financial assets and liabilities

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

39. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's overall strategy remains unchanged from year 2012.

The Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the ordinary shareholders, issue new shares or sell assets to reduce debt. The Company finances its operations through equity, borrowings and management of working capital with a view of maintaining an appropriate mix between various sources of finance to minimise risk.

The Company monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings ('long term finances' and 'short term borrowings' as shown in the balance sheet) less cash and bank balances. Total equity includes all capital and reserves of the Company that are managed as capital. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2013 Rupees	2012 Rupees
Total borrowings	4,023,163,681	2,662,178,860
Less: cash and bank balances	93,155,833	88,817,298
Net debt	3,930,007,848	2,573,361,562
Total equity	11,836,694,875	9,172,704,006
Total capital	15,766,702,723	11,746,065,568
Gearing ratio	25%	22%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

40. CAPACITY AND PRODUCTION	2013	2012
40.1 Spinning units		
Number of spindles installed	100,032	97,008
Number of spindles worked	98,433	95,385
No. of shifts worked per day	3	3
Total number of days worked	365	365
Installed capacity after conversion into 20's count	Lbs. 65,464,422	60,339,001
Actual production after conversion into 20's count	Lbs. 56,735,263	59,356,924
40.1.1 Actual production varies due to maintenance / shut down and change in count pattern.		
40.2 Dyeing		
Yarn / Fibre Dyeing Unit		
Total number of days worked	232	216
Installed capacity	Lbs. 8,002,407	8,002,407
Actual production	Lbs. 3,212,205	2,727,053
Fabric Dyeing Unit		
Total number of days worked	342	292
Installed capacity	Lbs. 13,171,579	12,929,979
Actual production	Lbs. 6,666,079	5,380,077
40.2.1 Low production is due to less market demand.		
40.3 Knitting unit		
Total number of days worked	363	318
Installed capacity	Lbs. 15,658,951	15,658,951
Actual production	Lbs. 7,058,983	5,494,472
40.3.1 Low production is due to less market demand.		
40.4 Stitching unit		
Installed capacity	Pcs. 1,967,000	1,967,000
Actual production	Pcs. -	-
40.4.1 Sluggish sale in the international markets, power shortage in the country and higher fuel cost forced management to temporarily close its stitching unit.		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

41. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Subsidiary Company, Associated Companies, directors of the Company, key management personnel and staff retirement funds. The Company in the normal course of business carries out transactions with various related parties. There were no transactions with key management personnel other than under the terms of employment and remuneration of key management personnel is disclosed in note 37. Amounts due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2013 Rupees	2012 Rupees
(i) Subsidiary	Shares received	-	4,500,000
	Commission of letters of credit reimbursed	6,150,000	15,700,000
	Sales of waste	-	3,000
(ii) Associates	Sales:		
	- raw material / yarn / fabric / stores	609,382,389	652,278,279
	- assets	575,000	3,870,500
	Purchases:		
	- raw material / yarn / fabric / stores	570,305,178	594,922,153
	- electricity	275,937,543	217,780,759
	- assets	103,365,375	-
	Share deposit money paid	60,000,000	40,000,000
	Shares received	100,000,000	-
	Services:		
	- rendered	31,755,302	25,343,908
	- obtained	5,413,282	798,559
	Expenses charged by	12,313,001	9,696,763
	Expenses charged to	3,310,993	5,479,946
Dividend:			
- received	198,626	400,988	
- paid	119,286,861	57,394,930	
(iii) Other	Contribution towards provident fund	3,675,568	3,530,836

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

42. NUMBER OF EMPLOYEES	2013	2012
Total number of employees as at June 30,	3,146	3,002
Average number of employees during the year	3,065	2,959
43. DISCLOSURE RELATING TO PROVIDENT FUND	2013	2012
	Rupees	Rupees
(i) Size of the Fund	32,827,700	30,635,041
(ii) Cost of investments made	31,858,451	29,935,767
(iii) Percentage of investments made	97.05%	97.72%
(iv) Fair value of investments made	32,827,700	30,635,041

Break-up of the investments is as follows:

	2013	2012	2013	2012
	--- Percentage ---		Rupees	Rupees
Special account in a scheduled bank	2.51	5.24	825,542	1,604,391
Government securities	94.07	91.49	30,881,323	28,028,235
Term deposit receipts	3.41	3.27	1,120,835	1,002,415
	100.00	100.00	32,827,700	30,635,041

The figures for year ended June 30, 2013 are based on un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

44. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, in their meeting held on October 07, 2013, has proposed a final cash dividend of Rs.5.00 (2012: Rs.5.00) per share amounting to Rs. 98.438 million (2012: Rs.98.438 million) for the year ended June 30, 2013. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 29, 2013. These financial statements do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending June 30, 2014.

45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 07, 2013 by the Board of Directors of the Company.

46. FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison and better presentation, the effect of which is not material.

Karachi:
Dated: 07 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

NADEEM ABDULLAH
DIRECTOR

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2013

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
314	1	100	3,878
145	101	500	34,061
130	501	1000	83,362
88	1001	5000	160,648
21	5001	10000	150,298
3	10001	15000	36,896
1	15001	20000	18,010
2	20001	25000	43,143
1	30001	35000	31,208
2	35001	40000	74,078
1	45001	50000	46,203
1	70001	75000	71,465
1	85001	90000	88,031
2	90001	95000	183,726
1	110001	115000	112,500
1	115001	120000	116,450
1	165001	170000	168,697
1	185001	190000	188,399
1	200001	205000	202,337
1	205001	210000	207,062
1	220001	225000	225,000
1	235001	240000	238,218
1	305001	310000	306,393
1	335001	340000	338,176
1	365001	370000	367,656
1	400001	405000	402,823
1	435001	440000	436,000
1	460001	465000	460,370
1	470001	475000	472,384
1	490001	495000	492,500
1	500001	505000	501,086
1	570001	575000	570,751
1	585001	590000	587,306
1	605001	610000	607,498
1	625001	630000	629,502
1	725001	730000	725,667
1	765001	770000	769,537
1	770001	775000	774,197
1	1210001	1215000	1,212,877
1	1220001	1225000	1,221,225
1	1670001	1675000	1,671,020
1	1710001	1715000	1,714,619
1	2940001	2945000	2,942,243
741			19,687,500

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2013

CATEGORY OF SHAREHOLDERS	Shares Held	Percentage
Directors, CEO, spouses minor children	6,921,298	35.1558
Associated Companies, undertaking, related parties	10,173,796	51.6764
NIT & ICP	587,306	2.9831
Banks, DFI & NBF	437,381	2.2216
Insurance Companies	238,218	1.2100
Modaraba & Mutual Fund	518	0.0026
General Public (Local)	993,190	5.0448
General Public (Foreign)	2,419	0.0123
Companies	333,374	1.6933
	<u>19,687,500</u>	<u>100.0000</u>

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2013

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

Sapphire Textile Mills Limited.	145
Neelum Textile Mills Limited.	1705377
Sapphire Agencies (Pvt) Ltd.	2258468
Crystal Enterprises (Private) Limited	5410
Sapphire Power Generation Limited	450676
Salman Ismail (SMC-Private) Limited	21093
Reliance Cotton Spinning Mills Limited	393697
Sapphire Holding Limited	2942243
Amer Tex (Pvt.) Limited	2396687

B) NIT & ICP

National Bank of Pakistan Trustee Department	587306
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C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN

DIRECTORS & THEIR SPOUSES

Mr. Mohammad Abdullah	88031
Mrs. Shamshad Begum	819588
Mr. Nadeem Abdullah	536586
Mr. Amer Abdullah	726760
Mr. Yousuf Abdullah	1428287
Mrs. Usma Yousuf	102614
Mrs. Noshaba Nadeem	860137
Mrs. Ambareen Amer	773088
Mr. Mohammad Yamin	703
Mr. Naveed-ul-Islam	2250

CHIEF EXECUTIVE OFFICER & HIS SPOUSE

Mr. Shahid Abdullah.	406234
Mrs. Shireen Shahid.	1177020

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2013

D)	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS	
	BANKS, DFI & NBFI	
	National Bank of Paksitan	1300
	National Bank of Paksitan	81
	Silkbank Limited	436000
	INSURANCE COMPANIES	
	State Life Insurance Corporation of Pakistan	238218
	MODARABAS & MUTUAL FUNDS	
	Modaraba-Al-Mali	112
	Guardian Leasing Modaraba	203
	Guardian Leasing Modaraba	156
	Golden Arrow Selected Stock Funds Limited	47
E)	SHAREHOLDERS HOLDING 5% OR MORE	
	Neelum Textile Mills Limited	1705377
	Sapphire Agencies (Pvt) Limited	2258468
	Amer Tex (Pvt.) Limited	2396687
	Sapphire Holding Limited	2942243
	Amer Tex (Pvt.) Limited	2396687
	Mr. Yousuf Abdullah	1428287
	Mrs. Shireen Shahid	1177020
F)	TRADING IN THE SHARES OF COMPANY DURING THE YEAR	
	BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN.	
	Mrs. Shamshad Begum	57871
	Mr. Nadeem Abdullah	13000
	Mr. Amer Abdullah	80000
	Mr. Yousuf Abdullah	35500
	Mrs. Usma Yousuf	93126
	Mrs. Noshaba Nadeem	87000
	Mrs. Ambareen Amer	130000
	Mr. Shahid Abdullah	7500
	Mrs. Shireen Shahid	175000

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DIRECTORS' REPORT

The directors are pleased to present their report together with consolidated financial statements of Sapphire Fibres Limited and its subsidiary Sapphire Electric Company Limited for the year ended 30 June, 2013.

The Company has annexed consolidated financial statements along with its separate financial statements in accordance with the requirements of the International Accounting Standard-27 (Consolidated and Separate Financial Statements)

SAPPHIRE ELECTRIC COMPANY LIMITED

Sapphire Electric Company Limited (SECL) was incorporated in Pakistan as an unlisted public company limited by shares under companies ordinance 1984 on 18 January, 2005. It became subsidiary of Sapphire Fibres Limited (SFL) on 1st July, 2008. SFL holds 59.08% shares of SECL as on 30 June, 2013.

The principal activity of the Subsidiary Company is to own, operate and maintain a combined cycle power station having net capacity of 212 MW at Muridke, district Sheikhpura. The company has commenced commercial operations from 05 October, 2010.

For and on behalf of the Board of Directors

Karachi:
Dated: 07 October, 2013

SHAHID ABDULLAH
Chief Executive

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of SAPPHIRE FIBRES LIMITED (the Parent Company) and its subsidiary company as at June 30, 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Sapphire Fibres Limited, while the financial statements of its subsidiary company was audited by other firm of auditors whose report have been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Parent Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Sapphire Fibres Limited and its subsidiary company as at June 30, 2013 and the results of their operations for the year then ended.

We draw attention to note 11.3.1 to the consolidated financial statements, which describes the matter regarding recoverability of certain trade debts. Our opinion is not qualified in respect of this matter.

Karachi :
Date : October 07, 2013

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner:
Osman Hameed Chaudhri

CONSOLIDATED BALANCE SHEET

As at June 30, 2013

	Note	2013 Rupees	2012 Rupees
ASSETS			
Non current assets			
Property, plant and equipment	4	19,431,432,155	19,748,574,306
Investment property	5	164,424,860	165,704,254
Intangible assets	6	10,287,661	12,153,365
Long term investments	7	4,506,388,924	2,843,966,889
Long term loans	8	940,540	959,884
Long term deposits		20,860,065	18,674,065
		<u>24,134,334,205</u>	<u>22,790,032,763</u>
Current assets			
Stores, spare parts and loose tools	9	145,290,525	143,774,644
Stock-in-trade	10	3,695,671,569	2,624,890,146
Trade debts	11	4,882,524,483	7,764,300,677
Loans and advances	12	84,974,856	15,348,800
Trade deposits and short term prepayments	13	54,504,906	43,472,075
Short term investments	14	1,044,511,205	660,716,842
Other receivables	15	889,653,416	312,583,297
Interest receivable		672,477	672,098
Tax refunds due from Government	16	271,537,066	223,383,082
Cash and bank balances	17	1,277,541,056	324,837,751
		<u>12,346,881,559</u>	<u>12,113,979,412</u>
		<u>36,481,215,764</u>	<u>34,904,012,175</u>
Total assets			
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital			
35,000,000 (2012: 35,000,000) ordinary shares of of Rs.10 each		<u>350,000,000</u>	<u>350,000,000</u>
Issued, subscribed and paid up capital	18	<u>196,875,000</u>	<u>196,875,000</u>
Reserves	19	<u>5,077,277,126</u>	<u>3,263,730,306</u>
Unappropriated profit		<u>8,287,575,299</u>	<u>6,535,053,656</u>
Equity attributable to shareholders of the Parent Company		<u>13,561,727,425</u>	<u>9,995,658,962</u>
Non-controlling interest		<u>2,794,434,833</u>	<u>2,191,427,518</u>
Total equity		<u>16,356,162,258</u>	<u>12,187,086,480</u>
Non current liabilities			
Long term finances	20	10,013,467,987	11,325,251,984
Staff retirement benefit - gratuity	21	157,919,549	141,194,159
Deferred taxation	22	39,930,765	55,460,826
Long term security deposit		2,100,000	2,100,000
		<u>10,213,418,301</u>	<u>11,524,006,969</u>
Current liabilities			
Trade and other payables	23	2,002,580,899	2,679,509,606
Accrued mark-up / interest	24	320,933,790	784,104,143
Short term borrowings	25	6,157,089,256	6,367,654,434
Current portion of long term finances	20	1,288,072,617	1,231,210,253
Provision for taxation		142,958,643	130,440,290
		<u>9,911,635,205</u>	<u>11,192,918,726</u>
Contingencies and commitments	26		
Total equity and liabilities		<u>36,481,215,764</u>	<u>34,904,012,175</u>

The annexed notes 1 to 47 form an integral part of these financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales	27	30,759,727,973	27,451,681,418
Cost of sales	28	(24,874,429,048)	(21,995,055,388)
Gross profit		5,885,298,925	5,456,626,030
Distribution expense	29	(565,094,568)	(574,455,470)
Administrative expenses	30	(217,068,267)	(186,600,908)
Other income	31	352,506,242	295,750,694
Other expenses	32	(122,608,449)	(210,327,870)
Profit from operations		5,333,033,883	4,780,992,476
Finance cost	33	(2,538,808,945)	(2,894,867,721)
		2,794,224,938	1,886,124,755
Share of Profit of Associate		17,349,846	13,663,220
		2,811,574,784	1,899,787,975
Taxation	34	(130,923,242)	(97,127,791)
Profit after taxation		2,680,651,542	1,802,660,184
Attributable to:			
- Shareholders of the Parent Company		2,077,134,618	1,424,854,634
- Non-controlling Interest		603,516,924	377,805,550
		2,680,651,542	1,802,660,184
Earnings per share- attributable to the shareholders of Parent Company	35	105.51	72.37

The annexed notes 1 to 47 form an integral part of these financial statements.

Karachi:
Dated: 07 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

NADEEM ABDULLAH
DIRECTOR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2013

	2013 Rupees	2012 Rupees
Profit after taxation	2,680,651,542	1,802,660,184
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Unrealised gain / (loss) due to change in fair value of available for sale investments		
- long term	1,570,397,284	(233,225,857)
- short term	139,093,881	29,588,364
Related deferred tax	1,554,919	(2,485,285)
Adjustment for gains included in profit and loss account upon sale of available-for-sale investments	(1,245,379)	(10,242,238)
Share of fair value gain on re-measurement of available-for-sale investments of Associated Companies	254,261	893,224
	1,710,054,966	(215,471,792)
Forward foreign exchange contracts		
Reclassification adjustments relating to gain realised on settlement of foreign currency contracts	-	(1,233,326)
Share of unrealised gain on re-measurement of hedging instrument of Associated Companies	69,191	-
	69,191	(1,233,326)
Other comprehensive income / (loss) for the year	1,710,124,157	(216,705,118)
Total comprehensive income for the year	4,390,775,699	1,585,955,066
Attributable to:		
- Shareholders of the Parent Company	3,787,768,384	1,207,768,371
- Non-controlling interest	603,007,315	378,186,695
	4,390,775,699	1,585,955,066

The annexed notes 1 to 47 form an integral part of these financial statements.

Karachi:
Dated: 07 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

NADEEM ABDULLAH
DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	6,498,887,298	2,729,882,295
Staff retirement benefits paid		(27,709,651)	(23,626,692)
Finance cost paid		(3,001,979,298)	(2,760,470,489)
Taxes paid		(207,127,218)	(178,519,644)
Workers' profit participation fund paid		(50,760,654)	(122,545,552)
Long term loans - net		19,344	902,813
Long term deposits - net		(2,186,000)	(147,305)
Net cash generated from / (used in) operating activities		3,209,143,821	(354,524,574)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(796,129,913)	(735,769,764)
Insurance claim received		226,174,737	-
Investment in an Associated Company		(60,000,000)	(40,000,000)
Increase in short term investment		(310,669,851)	(291,868,217)
Proceeds from sale of short term investment		74,945,312	176,214,633
Proceeds from disposal of operating fixed assets		12,890,000	14,643,432
Proceeds from sale of stores and spares		1,493,988	550,799
Dividend and interest income received		306,245,645	241,367,413
Net cash used in investing activities		(545,050,082)	(634,861,704)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		54,581,000	89,477,000
Long term finances - repaid		(1,309,502,633)	(849,687,704)
Dividend paid		(235,105,005)	(98,153,765)
Short term borrowings - net		(221,363,796)	1,970,689,187
Share deposit money		-	99,998
Net cash (used in) / generated financing activities		(1,711,390,434)	1,112,424,716
Net increase in cash and cash equivalents		952,703,305	123,038,438
Cash and cash equivalents - at beginning of the year		324,837,751	201,799,313
Cash and cash equivalents - at end of the year		1,277,541,056	324,837,751

The annexed notes 1 to 47 form an integral part of these financial statements.

Karachi:
Dated: 07 October, 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

NADEEM ABDULLAH
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2013

	Reserves							Non-Controlling Interest		
	Capital			Rupees						
	Issued, subscribed and paid up capital	Share premium	Maintenance reserve	General	Unrealised gain on available for sale investments	Unrealised gain on hedging instruments	Sub-total		Unappropriated profit	Total
Balance as at July 1, 2011	196,875,000	145,740,000	63,632,740	1,183,845,000	1,991,744,713	1,233,326	3,386,195,779	5,293,495,446	8,876,566,225	1,804,640,803
Transfer to maintenance reserve	-	-	94,620,790	-	-	-	94,620,790	(94,620,790)	-	-
Total comprehensive income for the year										
Profit after taxation	-	-	-	-	-	-	-	1,424,854,634	1,424,854,634	377,805,550
Other comprehensive (loss) / income	-	-	-	(215,852,937)	(215,852,937)	(1,233,326)	(217,086,263)	-	(217,086,263)	381,145
	-	-	-	-	(215,852,937)	(1,233,326)	(217,086,263)	1,424,854,634	1,207,768,371	378,186,695
Transaction with owners										
Final dividend for the year ended June 30, 2011 at the rate of Rs.5 per share	-	-	-	-	-	-	-	(98,437,500)	(98,437,500)	-
Effect of items directly credited in equity by the Associated companies	-	-	-	-	-	-	-	9,761,866	9,761,866	-
Adjustment in non-controlling interest due to further issuance of shares	-	-	-	-	-	-	-	-	-	8,600,020
Balance as at June 30, 2012	196,875,000	145,740,000	158,253,530	1,183,845,000	1,775,891,776	-	3,263,730,306	6,535,053,656	9,995,658,962	2,191,427,518
Transfer to maintenance reserve	-	-	102,913,054	-	-	-	102,913,054	(102,913,054)	-	-
Total comprehensive income for the year										
Profit after taxation	-	-	-	-	-	-	-	2,077,134,618	2,077,134,618	603,516,924
Other comprehensive income / (loss)	-	-	-	-	1,710,564,575	69,191	1,710,633,766	-	1,710,633,766	(509,609)
	-	-	-	-	1,710,564,575	69,191	1,710,633,766	2,077,134,618	3,787,768,384	603,007,315
Transaction with owners										
Final dividend for the year ended June 30, 2012 at the rate of Rs.5 per share	-	-	-	-	-	-	-	(98,437,500)	(98,437,500)	-
Interim dividend for the year ended June 30, 2013 at the rate of Rs.7 per share	-	-	-	-	-	-	-	(137,812,500)	(137,812,500)	-
Effect of items directly credited in equity by the Associated companies	-	-	-	-	-	-	-	14,550,079	14,550,079	-
Balance as at June 30, 2013	196,875,000	145,740,000	261,166,584	1,183,845,000	3,486,456,351	69,191	5,077,277,126	8,287,575,299	13,561,727,425	2,794,434,833

The annexed notes 1 to 47 form an integral part of these financial statements.

Karachi:

SHAHID ABDULLAH
CHIEF EXECUTIVE

NADEEM ABDULLAH
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year Ended June 30, 2013

1. THE GROUP AND ITS OPERATIONS

- 1.1 The Group consists of Sapphire Fibres Limited (the Parent Company) and its Subsidiary Company - Sapphire Electric Company Limited.
- 1.2 The Parent Company was incorporated in Pakistan on June 05, 1979 as a public limited company and its shares are quoted on Karachi, Islamabad and Lahore Stock Exchanges. It is principally engaged in manufacture and sale of yarn, fabrics and garments. The registered office of the Parent Company is located at 316, Cotton Exchange Building, Karachi and its mills are located at Raiwind Road Lahore, Feroze Wattoan and Kharianwala in district Sheikhpura.
- 1.3 The Subsidiary Company was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 on January 18, 2005. The principal activity of the Subsidiary Company is to build, own, operate and maintain a combined cycle power station having a net capacity of 212 MW at Muridke, District Sheikhpura, Punjab. The registered office of the Subsidiary Company is located at 7 - A/K, Main Boulevard, Gulberg - II, Lahore. The Subsidiary Company has a Power Purchase Agreement (PPA) with its sole customer, National Transmission and Despatch Company Limited (NTDC) for thirty years which commenced from October 05, 2010.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Principal of consolidation

These consolidated financial statements of the Group include the financial statements of Parent Company and of its Subsidiary Company. The Parent Company's direct interest, as at June 30, 2013 and 2012, in the Subsidiary Company is 59.08%.

All material inter-group balances and transactions have been eliminated. Investments in Associated Companies, as defined in the Companies Ordinance, 1984, are accounted for under the equity method of accounting.

Non-controlling interest is that part of the net results of operations and of net assets of the Subsidiary Company attributable to interest which are not owned by the Parent Company.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Group's functional currency. All financial information presented in Pak Rupee has been rounded-off to the nearest Rupee except stated otherwise.

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

2.4.1 Amendments to published standards that are effective in the current year and relevant to the Group

IAS 1, 'Financial statements presentation' (effective from period beginning on or after July 1, 2012). The amendment to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year Ended June 30, 2013

gains on hedges of net investments, exchange difference on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available for sales financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The Company has applied the amendments by incorporating the effects in these financial statements.

2.4.2 Exemption from applicability of certain interpretations to standards

SECP has exempted the application of International Financial Reporting Interpretations Committee (IFRIC) 4 'Determining whether an Arrangement contains a Lease' to all companies. However, the SECP made it mandatory to disclose the impact of the application of IFRIC 4 on the results of the companies. This interpretation provides guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for as a lease in accordance with International Accounting Standard (IAS) 17, 'Leases'.

Consequently, the Group is not required to account for a portion of its PPA with NTDC as a lease under IAS 17. If the Group were to follow IFRIC 4 and IAS 17, the effect on the consolidated financial statements would be as follows:

	2013 Rupees	2012 Rupees
De-recognition of property, plant and equipment	<u>(15,847,406,747)</u>	<u>(16,637,589,962)</u>
Recognition of lease debtor	<u>15,728,084,758</u>	<u>16,779,709,783</u>
Increase in un-appropriated profit at the beginning of the year	142,119,821	11,366,879
(Decrease) / increase in profit for the year	(22,797,832)	130,752,926
Increase in un-appropriated profit at the end of the year	<u>119,321,989</u>	<u>142,119,805</u>

2.4.3 Amendments to approved accounting standards and interpretation effective in the current year but are not relevant to the Group

There are other amendments to approved accounting standards and interpretation that are mandatory for the periods beginning on or after July 1, 2012, however, they are currently not considered to be relevant to the Group or do not have any impact on the Group's financial statements and therefore, have not been detailed in these financial statements.

2.4.4 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards and amendments to published standards are not effective (although available for early adoption) for the financial year beginning on or after July 1, 2012 and have not been early adopted by the Group:

- (a) Annual improvements to IFRSs 2011 are applicable on accounting periods beginning on or after January 1, 2013. This set of amendments includes changes to five standards: IFRS 1, 'First time adoption', IAS 1, 'Financial statement presentation', IAS 16, 'Property, plant and equipment', IAS 32, 'Financial instruments; Presentation' and IAS 34, 'Interim financial reporting'. The application of these amendments have no material impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year Ended June 30, 2013

- (b) IFRS 7 (Amendments), 'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 1, 2013. The amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The Group shall apply these amendments from July 1, 2013 and does not expect to have a material impact on its financial statements.
- (c) IFRS 9 - 'Financial instruments - classification and measurement'. This is applicable on accounting periods beginning on or after January 1, 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.
- The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. The Group shall apply this standard from July 1, 2015 and does not expect to have a material impact on its financial statements.
- (d) IFRS 10 - 'Consolidated financial statements' is applicable on accounting period beginning on or after January 1, 2013. Concurrent with issuance of IFRS 10, the IASB has also issued IFRS 11 - 'Joint Arrangements', IFRS 12 - 'Disclosure of Interests in other entities', IAS 27 (Revised 2011) - 'Consolidated and Separate Financial Statements' and IAS 28 (Revised 2011) - 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless on the nature of the investee, and that basis is control. The definition of control includes three elements : power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 - 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 - 'Consolidation / Special Purpose Entities' in its entirety. The Group shall apply this standard from July 1, 2013 and does not expect to have a material impact on its consolidated financial statements.
- (e) IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 1, 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Group shall apply this standard from July 1, 2013 and does not expect to have a material impact on its consolidated financial statements.
- (f) IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after January 1, 2013. These amendments shall eliminate the corridor approach and calculate finance cost on a net funding basis. The Group shall apply these amendments from July 1, 2013 and its impact on retained earnings shall be Rs.11.878 million due to recognition of current unrecognised actuarial losses on its defined benefit plan.
- (g) IAS 27 (Revised 2011), 'Separate financial statements' is applicable on accounting periods beginning on or after January 1, 2013. It includes the provisions on separate financial statements that are left after the control provisions of IAS 27 which have been included in the new IFRS 10. The Group shall apply the revised standard from July 1, 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year Ended June 30, 2013

- (h) IAS 32 (Amendments), 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 1, 2014. These amendments update the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Company shall apply these amendments from July 1, 2014 and does not expect to have a material impact on its financial statements.

There are other new accounting standards, amendments to approved accounting standards and interpretations that are mandatory for future years. However they are not considered relevant to the Group and therefore are not expected to materially effect the financial statements of the Group for accounting periods on the dates prescribed therein.

2.5 Use of estimates and judgement

The preparation of financial statements in conformity with approved accounting standards 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Group's financial statements or where judgement was exercised in application of accounting policies are as follows:

- useful lives and residual values of property, plant & equipment and intangible assets (note 3.1 And 3.3);
- classification and valuation of investments (note 3.4);
- stores, spare parts & loose tools and stock-in-trade (note 3.5 and 3.6);
- provision for doubtful debts (note 3.7);
- employees' retirement benefits (note 3.15);
- provision for taxation (note 3.16); and
- provisions (note 3.18).

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

Owned assets

Property, plant and equipment except for freehold land, leasehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, leasehold land and capital work in progress are stated at cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year Ended June 30, 2013

Subsequent costs

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to expenses as and when incurred.

Depreciation

Depreciation is charged to income on the reducing balance method at rates stated in note 4.1. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which asset is disposed-off.

The depreciation method and useful lives of items of operating fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing depreciation charge for the current and future periods.

Residual values and useful lives are reviewed, at each reporting date, and adjusted if impact on depreciation is significant.

Disposal

Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sale proceeds and the carrying amount of assets and are included in the profit and loss account.

Impairment

The Group assesses at each reporting date whether there is any indication that operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in income currently.

3.2 Investment property

Investment property is held for long term rental yields / capital appreciation. Investment property of the Group comprises of freehold land, leasehold land and buildings on leasehold land and is valued using the cost model i.e. at cost less accumulated depreciation and any impairment losses, if any. Depreciation is calculated by applying reducing balance method at the rate stated in note 5. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged from the month in which the property is disposed off.

Cost of investment property is determined on the same basis as used for Group's owned assets.

3.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any.

Cost of the intangible asset (i.e. computer software) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Subsequent expenditure

Expenditure which enhance or extend the performance of computer softwares beyond its original specification and useful life are recognised as capital improvement and added to the original cost of the softwares. Costs associated with maintaining computer softwares are recognised as an expense as and when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year Ended June 30, 2013

Amortization

Amortization is charged over the estimated useful life of the asset on a systematic basis applying the straight-line method. Amortization on additions to intangible assets is charged from the date in which an asset is put to use and on disposal upto the date of disposal.

3.4 Investments

Classification of investment is made on the basis of intended purposes for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Regular purchases and sales of investments are recognised on the trade date i.e. the date on which the Group commits to purchase or sell the investment. All investments are initially recognised at fair value plus transaction costs except for 'investments at fair value through profit or loss'. 'Investments at fair value through profit or loss' are initially recognised at fair value and related transaction costs are charged to the profit and loss account.

(a) Investments at fair value through profit or loss

These are held for trading investment. An investment is classified in this category if acquired principally for the purpose of selling in the short-term. Investments in this category are classified as current assets. These are stated at fair value with any resulting gain or losses recognised directly in profit or loss account.

(b) Held to maturity financial assets

Investments with fixed or determinable payments and fixed maturity in respect of which the Group has positive intent and ability to hold till maturity. Held to maturity investments are measured at amortized cost using the effective interest rate method. There were no held to maturity investments as at the reporting date.

(c) Investments in Associated Companies

Investments in Associated Companies are accounted for using equity basis of accounting under which the investments in Associated Companies are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income or loss of the Associated Companies after the date of acquisition. The Group's share of the profit or loss and other comprehensive income or loss of the Associated Companies is recognised in the Group's profit or loss and other comprehensive income or loss respectively. Distributions received from Associated Companies reduce the carrying amount of the investments. Adjustments to the carrying amounts are also made for changes in the Group's proportionate interest in the Associated Companies arising from changes in the Associated Companies' equity that have not been recognised in the Associated Companies' profit and loss account. The Group's share of those changes is recognised directly in equity of the Group.

The carrying amount of the investment is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in Group's profit or loss.

(d) Available for sale

Investments, which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year Ended June 30, 2013

Subsequent to initial recognition these are re-measured to fair value, with any resultant gain or loss being recognised in other comprehensive income. Gains or losses on available for sale investments are recognised in other comprehensive income until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in other comprehensive income is included in current period's profit and loss account.

The Group uses latest stock exchange quotations to determine the fair value of its quoted investments.

Equity instruments that do not have a quoted market price in an active market and whose fair values can not be reliably measured or determined, are stated at cost.

3.5 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at lower of cost and net realizable value. The cost of inventory is based on monthly weighted average cost. Items in transit are stated at cost comprising of invoice value plus other charges thereon accumulated upto the reporting date. Provision for obsolete and slow moving stores, spares parts and loose tools is determined based on management's estimate regarding their future usability.

3.6 Stock-in-trade

Stock-in-trade is valued at lower of cost and net realisable value (NRV) except waste, which is valued at NRV. Cost has been determined as follows:

<u>Particulars</u>	<u>Mode of valuation</u>
Raw materials	- weighted average cost
Raw materials in transit	- cost accumulated to the reporting date.
Work-in-process	- cost of direct materials and appropriate Manufacturing overheads
Finished goods	- lower of average cost and net realisable value
Waste	- net realisable value

Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

3.7 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade and other receivables are assessed at each reporting date and a provision is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

3.8 Government grants

These represent transfer of resources from government, government agencies and similar bodies, in return for the past or future compliances with certain conditions relating to the operating activities of the Group.

Government grant towards research and development activities is recognised in profit and loss account as deduction from the relevant expenses on matching basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year Ended June 30, 2013

3.9 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument and derecognised when the Group loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include long term & short term investments, long term loans, deposits, trade debts, loans and advances, other receivables, interest receivable, bank balances, long term finances, long term security deposit, trade & other payables, accrued mark-up / interest and short term borrowings. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.10 Derivative financial instruments and hedging activities

The Company designates derivative financial instruments as either fair value hedge or cash flow hedge.

(a) Cash flow hedge

Cash flow hedge represents a hedge of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that is designated and qualify as cash flow hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are reclassified to the profit and loss account in the periods in which the hedged item will affect the profit and loss account.

(b) Fair value hedge

Fair value hedge represents hedges of the fair value of a recognised asset or liability or a firm commitment. Changes in the fair value of a derivative that is designated and qualify as fair value hedge is recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly.

3.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

3.12 Impairment

(a) Financial assets

The Group assesses at end of each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence is identified to exist, the said financial asset or group of financial assets are impaired and an impairment loss is recognised in the profit and loss account for the amount by which the assets' carrying amounts exceed their recoverable amounts. Impairment losses of equity instruments, once recognised are not reversed through profit or loss account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year Ended June 30, 2013

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash-in-hand and balances with banks.

3.14 Borrowings

These are recognised initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings as interest expense.

3.15 Employees' retirement benefits

(a) Defined contribution plan

The Parent Company

The Parent Company operates a defined contributory approved provident fund for its management staff. Equal monthly contributions are made both by the Parent Company and employees at the rate of 8.33% of the basic salary to the fund.

The Subsidiary Company

The Subsidiary Company operates a defined contributory provident fund for all its employees. Equal monthly contributions are made both by the Subsidiary Company and employees to the fund at the rate of 8.33% of the basic salary.

(b) Defined benefit plan

The Parent Company

The Parent Company operates an un-funded gratuity scheme under which the gratuity is payable on cessation of employment, subject to a minimum qualifying period of service. The contributions are made under the scheme in accordance with the actuary's recommendations based on the actuarial valuation using projected unit credit method. The latest actuarial valuation was carried on June 30, 2013.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses. Cumulative net unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the present value of the defined benefit obligation are amortized in the profit and loss account over the remaining average service life of the employees over which they are expected to receive benefits.

The Subsidiary Company

The Subsidiary Company had provided liability for gratuity for the period upto April 30, 2009 prior to the introduction of provident fund scheme on May 01, 2009 which was frozen and paid to the gratuity fund trust.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

3.16 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years and deferred tax.

Current

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime.

The profits and gains of the Subsidiary Company derived from electric power generation are exempt from tax in terms of Clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the conditions and limitations provided therein.

Under clause (11A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the Subsidiary Company is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the profit and loss account on income from sources not covered under the above clauses at current rates of taxation after taking into account, tax credits and rebates available, if any.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income / equity in which case it is included in other comprehensive income / equity.

3.17 Trade and other payables

Trade and other payables are stated at their cost which is the fair value of the consideration to be paid in future for goods and services, whether or not billed.

3.18 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the prevailing best estimate.

3.19 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the reporting date. All arising exchange gains and losses are recognised in the profit and loss account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

3.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- revenue from sale is recognised on delivery / despatch of goods to customers;
- export rebate is accounted for on accrual basis;
- revenue on account of energy is recognised on transmission of electricity to NTDC, whereas on account of capacity is recognised when due;
- dividend income from investments is recognised when the Group's right to receive dividend is established; and
- return on bank deposits are accounted for on time proportion basis.

3.21 Borrowing costs

Borrowing costs directly attributable to construction / acquisition of qualifying assets are capitalised up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account.

3.22 Segment reporting

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Operating Decision Maker of the Group for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Group is organised into three operating segments i.e. spinning, knitting, processing & garments and power.

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Other operating income & expenses, share of profit in Associated Companies and taxation are managed at the Group level. Unallocated assets mainly include investment property, intangible assets, long term investments, short term investments, advance income tax, tax refunds due from the Government and unrealised gain / loss on forward exchange contracts.

3.23 Dividend and appropriation to reserves

Dividend and other appropriations to reserves are recognised in the period in which they are approved.

3.24 Earnings per share

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2013 Rupees	2012 Rupees
Operating fixed assets	4.1	19,139,699,025	19,594,004,871
Capital work-in-progress	4.6	291,733,130	154,569,435
		19,431,432,155	19,748,574,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

4.1 Operating Fixed Assets

	Equipment													Total			
	Freehold land	Leasehold land	Residential buildings and others on freehold land	Leased office improvements	Factory buildings on freehold land	Plant and machinery	Electric installations	Fire fighting	Office	Mills	Electric / gas	Computer hardware	Vehicles		Furniture and fixtures	Arms and ammunition	Tools
As at July 1, 2011																	
Cost	190,128,880	6,000,000	243,728,844	19,272,656	2,465,679,117	19,962,604,058	66,426,347	797,369	20,628,319	27,628,500	21,184,111	9,677,190	109,920,526	32,465,605	149,886	248,579	23,176,539,987
Accumulated depreciation	-	-	85,714,655	15,434,653	424,168,035	2,561,841,519	28,822,322	511,483	12,790,435	16,330,747	2,940,307	5,327,957	47,834,100	14,669,029	114,132	179,087	3,216,578,461
Net book value	190,128,880	6,000,000	158,014,189	3,838,003	2,041,511,082	17,400,762,539	37,604,025	285,886	7,837,884	11,297,753	18,343,804	4,349,233	62,086,426	17,796,576	35,754	69,492	19,959,961,526
Year ended June 30, 2012																	
Opening net book value	190,128,880	6,000,000	158,014,189	3,838,003	2,041,511,082	17,400,762,539	37,604,025	285,886	7,837,884	11,297,753	18,343,804	4,349,233	62,086,426	17,796,576	35,754	69,492	19,959,961,526
Additions	-	-	5,062,741	-	59,141,151	711,134,148	-	236,208	316,919	-	-	1,249,425	20,010,797	3,080,488	-	-	800,231,877
Adjustment during the year	-	-	-	-	(29,905,171)	(273,073,088)	-	-	-	-	-	-	-	-	-	-	(302,978,259)
Disposals:																	
- cost	-	-	-	-	-	39,544,836	-	-	-	-	-	-	13,509,830	-	-	-	53,054,666
- depreciation	-	-	-	-	-	(35,466,167)	-	-	-	-	-	-	(9,342,651)	-	-	-	(44,808,816)
Depreciation charge for the year	-	-	7,965,868	767,601	85,637,118	736,144,258	3,811,355	38,431	824,869	1,129,776	1,834,380	1,641,413	13,266,235	1,892,595	3,576	6,950	854,964,425
Closing net book value	190,128,880	6,000,000	165,111,062	3,070,402	1,985,109,944	17,098,600,672	33,792,670	483,663	7,329,934	10,167,977	16,509,424	3,957,245	64,663,809	18,984,469	32,178	62,542	19,594,004,871
As at June 30, 2012																	
Cost	190,128,880	6,000,000	248,791,565	19,272,656	2,494,915,097	20,361,120,292	66,426,347	1,033,577	20,945,238	27,628,500	21,184,111	10,926,615	116,421,493	35,546,093	149,886	248,579	23,620,738,939
Accumulated depreciation	-	-	93,680,523	16,202,254	509,805,153	3,262,519,610	32,633,677	549,914	13,615,304	17,460,523	4,674,687	6,969,370	51,757,684	16,561,624	117,708	186,037	4,026,734,068
Net book value	190,128,880	6,000,000	155,111,062	3,070,402	1,985,109,944	17,098,600,672	33,792,670	483,663	7,329,934	10,167,977	16,509,424	3,957,245	64,663,809	18,984,469	32,178	62,542	19,594,004,871
Year ended June 30, 2013																	
Opening net book value	190,128,880	6,000,000	155,111,062	3,070,402	1,985,109,944	17,098,600,672	33,792,670	483,663	7,329,934	10,167,977	16,509,424	3,957,245	64,663,809	18,984,469	32,178	62,542	19,594,004,871
Additions	79,033,196	-	96,802,921	-	104,121,390	320,831,427	11,387,295	-	1,032,572	563,000	-	4,187,984	24,314,486	7,079,805	-	-	649,374,076
Adjustment during the year - note 4.2	-	-	-	-	-	(225,022,135)	-	-	-	-	-	-	-	-	-	-	(225,022,135)
Disposals:																	
- cost	-	-	-	-	-	63,923,571	-	-	-	-	-	-	10,965,775	-	-	-	74,889,346
- depreciation	-	-	-	-	-	(56,345,610)	-	-	-	-	-	-	(8,495,710)	-	-	-	(64,841,320)
Depreciation charge for the year	-	-	11,232,166	614,081	91,289,945	740,091,604	3,579,054	48,366	886,211	1,025,755	1,650,942	1,702,792	14,024,245	2,455,128	3,218	6,254	868,609,761
Closing net book value	269,162,076	6,000,000	240,681,817	2,456,321	1,997,941,389	16,446,740,399	41,600,911	435,297	7,476,295	9,725,222	14,858,482	6,442,437	72,483,985	23,609,146	28,960	56,288	19,139,699,025
As at June 30, 2013																	
Cost	269,162,076	6,000,000	345,594,506	19,272,656	2,599,036,487	20,393,006,003	77,813,642	1,033,577	21,977,810	28,211,500	21,184,111	15,114,599	129,770,204	42,625,898	149,886	248,579	23,970,201,534
Accumulated depreciation	-	-	104,912,689	16,816,335	601,095,098	3,946,265,604	36,212,731	598,280	14,501,515	18,486,278	6,325,629	8,672,162	57,286,219	19,016,752	120,926	192,291	4,830,502,509
Net book value	269,162,076	6,000,000	240,681,817	2,456,321	1,997,941,389	16,446,740,399	41,600,911	435,297	7,476,295	9,725,222	14,858,482	6,442,437	72,483,985	23,609,146	28,960	56,288	19,139,699,025
Depreciation rate (%)			5	20	3.33 & 10	3.33 & 10	10	10	10	10	10	30 & 33	20	10	10	10	

4.2 It mainly includes Rs.203.401 million which relates to excess insurance claim received from Adamjee Insurance Company Limited in respect of compressor rotor damage incident that occurred prior to the Commercial Operations by the Subsidiary Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

4.3 Finance charges aggregated Rs.5.675 million at rate of 12.60% were included in the cost of property, plant and equipment during the preceding year.

4.4 Depreciation for the year has been apportioned as under	Note	2013 Rupees	2012 Rupees
Cost of goods manufactured	28.1	859,611,966	849,656,636
Administrative expenses	30	8,997,795	5,307,789
		868,609,761	854,964,425

4.5 Disposal of operating fixed assets

Asset descriptions	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers
----- Rupees -----							
Plant and machinery							
Auto cone winder with accessories	7,502,119	6,007,199	1,494,920	1,700,000	205,080	Negotiation	Bisma Textile Mills Limited, Lahore.
Auto cone winder	7,020,076	6,296,399	723,677	1,250,000	526,323	- do -	Lucky Cotton Mills (Private) Limited, Karachi.
Auto cone winder	7,020,077	6,296,399	723,678	1,250,000	526,322	- do -	Anoud Textile Mills Limited, Karachi.
Combers, sliver lap and Ribbon lap machines	18,490,094	16,545,473	1,944,621	1,500,000	(444,621)	- do -	Noon Textile Mills Limited, Bhalwal.
Combers and unilap machines	21,756,523	19,472,933	2,283,590	2,750,000	466,410	- do -	Qadri Textile Mills Limited, Lahore.
Drawing machine	860,000	794,783	65,217	85,000	19,783	- do -	Mr. Anas Iftikhar Toor, Samanabad, Faisalabad.
Lycra attachment	637,341	466,212	171,129	215,000	43,871	- do -	Reliance Cotton Spinning Mills Limited. (an Associated Company)
Lycra attachment	637,341	466,212	171,129	135,000	(36,129)	- do -	Sapphire Textile Mills Limited. (an Associated Company)
	63,923,571	56,345,610	7,577,961	8,885,000	1,307,039		
Vehicles							
BMW	5,700,000	4,785,537	914,463	1,500,000	585,537	- do -	Bilal Fibres Limited, Lahore
Daihatsu Cuore	474,000	353,497	120,503	280,000	159,497	- do -	Muhammad Mudasar, Haroonabad, Bahawalnagar.
Daihatsu Cuore	459,000	362,072	96,928	140,000	43,072	- do -	Mr. Maqsood Ahmed, Jaranwala, Faisalabad.
Daihatsu Cuore	479,000	329,453	149,547	405,000	255,453	- do -	Muhammad Ijaz, Toba Tek Singh.
Daihatsu Cuore	519,000	327,676	191,324	225,000	33,676	- do -	Reliance Cotton Spinning Mills Limited. (an Associated Company)
Honda Civic	1,272,500	1,040,848	231,652	300,000	68,348	- do -	Mr. Bilal Saleem, Cheema Colony, Sargodha.
Suzuki Cultus	600,000	419,449	180,551	520,000	339,449	- do -	Syed Zeeshan Asif, Gulshan-e-Iqbal, Karachi.
Suzuki Cultus	464,000	358,076	105,924	140,000	34,076	- do -	Muhammad Riaz, Garden Town, Bahawalpur.
Suzuki Liana	998,275	519,102	479,173	495,000	15,827	- do -	Syed Fazal Hussain Shah, Justice Colony, Lahore.
	10,965,775	8,495,710	2,470,065	4,005,000	1,534,935		
June 30, 2013	74,889,346	64,841,320	10,048,026	12,890,000	2,841,974		
June 30, 2012	53,054,666	44,808,818	8,245,848	14,643,432	6,397,584		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
4.6 Capital work-in-progress			
Buildings		44,926,864	22,755,730
Plant and machinery		234,618,262	52,694,454
Advance payments	4.7	12,188,004	79,119,251
		291,733,130	154,569,435
4.7 Advance payments against:			
- furniture and fixtures		24,803	685,225
- factory / office building		4,000,000	70,475,476
- vehicles		-	7,958,550
- plant and machinery		8,163,201	-
		12,188,004	79,119,251

5. INVESTMENT PROPERTY

	Freehold land	Leasehold land	Buildings on leasehold land	Total
	----- Rupees -----			
At July 1, 2011				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	5,784,494	5,784,494
Net book value	31,750,000	121,160,317	14,215,486	167,125,803
Year ended June 30, 2012				
Opening net book value	31,750,000	121,160,317	14,215,486	167,125,803
Depreciation charge for the year	-	-	1,421,549	1,421,549
Closing net book value	31,750,000	121,160,317	12,793,937	165,704,254
At June 30, 2012				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	7,206,043	7,206,043
Net book value	31,750,000	121,160,317	12,793,937	165,704,254
Year ended June 30, 2013				
Opening net book value	31,750,000	121,160,317	12,793,937	165,704,254
Depreciation charge for the year	-	-	1,279,394	1,279,394
Closing net book value	31,750,000	121,160,317	11,514,543	164,424,860
At June 30, 2013				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	8,485,437	8,485,437
Net book value	31,750,000	121,160,317	11,514,543	164,424,860
Depreciation rate (% per annum)			10	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

- 5.1 Depreciation for the year has been grouped under other operating expenses (note 32).
- 5.2 In the opinion of the directors, the market value of investment property at the reporting date has not changed materially from last year.
- 5.3 Leasehold land and buildings on leasehold land represent the Parent Company's share (50%) of jointly controlled leasehold land with buildings thereon located at Sector 23, Korangi Industrial Area, Korangi Township, Karachi, registered jointly in the name of the Parent Company and Sapphire Textile Mills Limited (an Associated Company).

6. INTANGIBLE ASSETS

	Computer Softwares	Goodwill	Total
	-----Rupees-----		
At July 1, 2011			
Cost	13,820,244	5,612,904	19,433,148
Accumulated amortization	11,621,083	-	11,621,083
Net book value	2,199,161	5,612,904	7,812,065
Year ended June 30, 2012			
Additions	5,558,510	-	5,558,510
Amortization charge	1,217,210	-	1,217,210
Net book value as at June 30, 2012	6,540,461	5,612,904	12,153,365
Year ended June 30, 2013			
Amortization charge	1,865,704	-	1,865,704
Net book value as at June 30, 2013	4,674,757	5,612,904	10,287,661
At June 30, 2012			
Cost	19,378,754	5,612,904	24,991,658
Accumulated amortization	12,838,293	-	12,838,293
Net book value	6,540,461	5,612,904	12,153,365
At June 30, 2013			
Cost	19,378,754	5,612,904	24,991,658
Accumulated amortization	14,703,997	-	14,703,997
Net book value	4,674,757	5,612,904	10,287,661
Amortisation rate (% per annum)	20		

- 6.1 Goodwill represents excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired of the Subsidiary Company.

7. LONG TERM INVESTMENTS

	Note	2013 Rupees	2012 Rupees
Associated Companies - at cost	7.1	312,449,367	220,424,616
Others - available for sale	7.5	4,193,939,557	2,623,542,273
		4,506,388,924	2,843,966,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

7.1 Associated Companies	2013 Rupees	2012 Rupees
Quoted		
Reliance Cotton Spinning Mills Limited (RCSM) 138,900 ordinary shares of Rs.10 each cost Equity held: 1.35% Fair value: Rs.7.266 million (2012: Rs.3.181 million) Add: share of post acquisition profit Less: dividend received during the year	1,306,269 20,976,326 (198,626) 22,083,969	1,306,269 16,608,863 (400,988) 17,514,144
SFL Limited (SFL) 10,199 ordinary shares of Rs.10 each cost Equity held: 0.051% Fair value: Rs.0.424 million Add: share of post acquisition profit	100,000 1,077,754 1,177,754 23,261,723	100,000 873,066 973,066 18,487,210
Unquoted		
Sapphire Power Generation Limited (SPGL) 1,550,000 ordinary shares of Rs.10 each cost Equity held: 16.54% Add: share of post acquisition profit	19,748,000 167,865,773 187,613,773	19,748,000 142,189,406 161,937,406
Sapphire Dairies (Private) Limited (SDL) - note 7.2 10,000,000 ordinary shares of Rs.10 each cost Equity held: 9.52% Add: share of post acquisition profit Advance for issue of shares	100,000,000 1,573,871 101,573,871 312,449,367	- 40,000,000 40,000,000 220,424,616
7.2 The Parent Company, during the year, has been allotted with 10,000,000 ordinary shares of Rs.10 each.		
7.3 The existence of significant influence by the Company is evidenced by the representation on the board of directors of abovementioned Associated Companies.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

7.4 Summarised financial information of Associates is as follows:

Particulars	Equity		Total assets		Total liabilities		Revenue		Profit after taxation	
	As at June 30, 2013	As at June 30, 2012	As at June 30, 2013	As at June 30, 2012	As at June 30, 2013	As at June 30, 2012	For the year ended June 30, 2013	For the year ended June 30, 2012	For the year ended June 30, 2013	For the year ended June 30, 2012
----- Rupees in '000 -----										
RCSM	1,636,344	1,297,736	3,281,305	2,601,956	1,644,961	1,304,219	3,853,608	2,557,935	308,875	71,803
SPGL	1,134,264	979,005	1,227,627	1,047,114	93,363	68,109	867,768	854,225	88,913	76,813
SFLL	2,320,109	1,916,885	2,320,988	1,917,034	879	149	280	92	401,788	264,105
SDL	1,065,923	-	1,281,882	-	215,959	-	555,478	-	(18,761)	

7.5	Others - available for sale	Note	2013 Rupees	2012 Rupees
	Quoted			
	MCB Bank Limited 17,169,807 (2012: 15,608,916) ordinary shares of Rs.10 each -cost	7.6	918,695,933	918,695,933
	Adjustment arising from re-measurement to fair value		3,246,527,546	1,676,130,262
			4,165,223,479	2,594,826,195
	Unquoted			
	Novelty Enterprises (Private) Limited 2,351,995 ordinary shares of Rs.10 each		28,716,078	28,716,078
			4,193,939,557	2,623,542,273

7.6 Investments having market value of Rs.376.015 million (2012: Rs.257.672 million) have been pledged with a financial institution as security against short term borrowings (note 25).

8. LONG TERM LOANS- Secured

Due from

- Executives	8.1 & 8.2	1,252,724	1,535,480
- Employees		893,160	711,280
	8.3	2,145,884	2,246,760

Less: Recoverable within one year

- Executives	792,724	857,756
- Employees	412,620	429,120
	1,205,344	1,286,876
	940,540	959,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
8.1 Reconciliation of carrying amount of loans to executives			
Balance at the beginning of the year		1,535,480	2,444,173
Add: disbursements		985,000	200,000
Less: repayments		1,267,756	1,108,693
Balance at the end of the year		<u>1,252,724</u>	<u>1,535,480</u>
8.2	The maximum amount outstanding at the end of any month during the year ended June 30, 2013 from executives aggregated to Rs.1.816 million (2012: Rs.2.196 million).		
8.3	These interest free loans are granted for various purposes and are recoverable in monthly instalments which vary from case to case. These loans are secured against employees' vested retirement benefits.		
9. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		58,079,682	61,632,829
Spare parts		75,285,688	62,928,335
Loose tools		136,307	186,311
Items in transit		16,168,283	23,493,812
		<u>149,669,960</u>	<u>148,241,287</u>
Less: provision for slow moving items	9.1	4,379,435	4,466,643
		<u>145,290,525</u>	<u>143,774,644</u>
9.1 Provision for slow moving items			
Balance at beginning of the year		4,466,643	3,964,608
Add: provision made during the year		118,092	552,567
Less: reversal made during the year		205,300	50,532
Balance at end of the year		<u>4,379,435</u>	<u>4,466,643</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

10. STOCK-IN-TRADE	Note	2013 Rupees	2012 Rupees
Raw materials:			
- at mills		2,758,122,884	1,784,436,160
- in transit		243,008,340	254,498,095
- at third party's premises	10.1	50,763,084	42,465,807
		3,051,894,308	2,081,400,062
Work-in-process		250,170,763	196,702,362
Finished goods:			
- at mills	10.2	331,212,735	329,456,457
- at third party's premises		62,393,763	17,331,265
		393,606,498	346,787,722
		3,695,671,569	2,624,890,146
10.1	This stock is lying for processing and finishing.		
10.2	Finished goods includes items costing Rs.109.817 million (2012: Rs.1.650 million) stated at their net realisable values aggregating Rs.101.694 million (2012: Rs.1.152 million). The amount charged to the profit and loss account in respect of stocks written down to their net realisable values is Rs.8.123 million (2012: Rs.0.498 million).		
11. TRADE DEBTS	- Considered good		
Unsecured			
- local		219,369,907	104,383,620
- indirect export		75,710,000	65,845,591
	11.1	295,079,907	170,229,211
Secured			
- export		953,386,545	637,703,431
- local	11.3	3,587,022,669	6,877,850,252
- indirect export		47,035,362	78,517,783
		4,587,444,576	7,594,071,466
		4,882,524,483	7,764,300,677
11.1	These include the following amounts due from Associated Companies:		
Amer Cotton Mills (Private) Limited		7,809	761,156
Diamond Fabrics Limited		20,765,254	18,249,255
Reliance Cotton Spinning Mills Limited		12,119,717	-
Sapphire Finishing Mills Limited		-	26,913
Sapphire Textile Mills Limited		29,303,360	10,364,655
		62,196,140	29,401,979

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

11.2 The ageing of trade debts at June 30, is as follows:

	Related parties		Aggregated	
	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees
Not past due	1,985,637	2,080,000	3,607,923,820	2,767,542,949
Past due 1-30 days	-	-	297,974,726	1,883,997,935
Past due 31-60 days	59,099,452	27,254,629	27,523,766	839,119,010
Past due 61-90 days	847,801	-	16,716,997	801,223,033
Past due 91-365 days	263,250	70,350	152,535,265	1,308,695,574
Past due one year	-	-	779,849,909	163,722,176
	62,196,140	29,404,979	4,882,524,483	7,764,300,677

11.3 These represent trade receivables from (NTDC) and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at the rate of 3 months KIBOR plus 4.50% is charged in case the amounts are not paid within due dates. The effective rate of delayed payment mark-up charged during the year on outstanding amounts ranges from 13.76% to 16.46% (2012: 16.25% to 18.04%) per annum.

11.3.1 Included in trade debts is an amount of Rs.597.484 million relating to capacity purchase price not acknowledged by NTDC as the plant was not fully available for power generation. However, the sole reason of this under-utilisation of plant capacity was non-availability of fuel owing to non-payment by NTDC.

Since, management considers that the primary reason for claiming these payments is that plant was available, however, could not generate electricity due to non-payment by NTDC, therefore, it believes that the Subsidiary Company cannot be penalised in the form of payment deductions due to NTDC's default of making timely payments under the (PPA). Hence, the Subsidiary Company had taken up this issue at appropriate forums. On June 28, 2013, the Subsidiary Company entered into a Memorandum of Understanding (MoU) for cooperation on extension of credit terms with NTDC whereby it was agreed that the constitutional petition filed by the Subsidiary Company before the Supreme Court of Pakistan on the abovementioned issue would be withdrawn unconditionally and it would be resolved through the dispute resolution mechanism under the PPA. Accordingly, as per the terms of MoU, subsequent to year end, the Subsidiary Company applied for withdrawal of the aforesaid petition which is pending adjudication before Supreme Court of Pakistan, and initiated the process of appointment of Expert for dispute resolution under the PPA. Based on the advice of the legal council, management feels that there are meritorious grounds to support the Subsidiary Company's stance and such amounts are likely to be recovered. Consequently, no provision for the abovementioned amount has been made in these financial statements.

11.3.2 Also included in trade debts are amounts aggregating Rs.245.106 million relating to capacity purchase price not acknowledged by NTDC. The Subsidiary Company's management is under discussion with NTDC, SNGPL and the Private Power and Infrastructure Board regarding the aforesaid amount. As a result of the above mentioned MoU, all disputed amounts have been agreed to be resolved through the dispute resolution mechanism under the PPA. As discussed above, subsequent to year end, the Subsidiary Company has initiated the process of appointment of Expert for dispute resolution under the PPA. Based on the advice of legal council management is of the view that under the terms of the PPA, Implementation Agreement and the Gas Supply Agreement, there are meritorious grounds that the dispute would be resolved in the Subsidiary Company's favour and such amounts are likely to be recovered. Consequently no provision of the above mentioned amount has been made in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

12.	LOANS AND ADVANCES - Considered good		2013	2012
	Advances to:	Note	Rupees	Rupees
	- suppliers		78,213,604	6,953,577
	- employees		4,303,929	3,245,444
	Current portion of long term loans to employees	8	1,205,344	1,286,876
	Letters of credit		921,755	3,002,643
	Other advances		330,224	860,260
			84,974,856	15,348,800
13.	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
	Security deposits - unsecured and considered good		5,000	5,000
	Margin deposits against letters of credit		6,907,200	-
	Prepayments		47,592,706	43,467,075
			54,504,906	43,472,075

14.	SHORT TERM INVESTMENTS Available for sale (Quoted)		Market value		Cost		
	2013	2012	2013	2012	2013	2012	
	No. of shares / certificates		Rupees				
	3,093	3,093	Aisha Steel Mills Limited	24,775	30,930	30,930	30,930
	10,000	10,000	Al-Ghazi Tractors Limited	2,045,000	2,053,400	2,961,666	2,961,666
	34,030	30,937	Arif Habib Corporation Limited	754,105	956,881	2,777,642	2,777,642
	38,000	38,000	Attock Petroleum Limited	21,322,560	18,026,060	12,153,848	12,153,848
	-	2,130,624	ABL Income Fund	-	21,362,067	-	20,116,688
	598,500	-	Bank Al-Falah Limited	10,904,670	-	10,413,077	-
	741,889	741,889	Bank Al-Habib Limited	20,171,962	21,121,580	18,177,000	18,177,000
	100,000	-	DG Khan Cement Company Limited	8,369,000	-	5,657,066	-
	545,400	-	Engro Corporation Limited	66,467,898	-	54,962,390	-
	1,100,000	200,000	Fauji Cement Company Limited	14,619,000	1,126,000	9,401,406	1,422,289
	6,198,500	5,000,000	Fatima Fertilizer Company Limited	153,908,755	123,350,000	128,964,161	99,564,494
	1,932,452	1,707,452	Fauji Fertilizer Company Limited	207,603,318	189,612,545	173,716,701	147,493,287
	500	500	First Punjab Modaraba	1,125	740	2,942	2,942
	10,500	10,500	Haji Muhammad Ismail Mills Limited	24,150	15,855	126,000	126,000
	134	134	KASB Modaraba	536	641	-	-
	78,500	78,500	Lucky Cement Limited	16,463,020	9,058,115	10,889,646	10,889,646
	250,000	250,000	Meezan Balanced Fund	3,245,000	2,590,000	2,500,000	2,500,000
	110,000	110,000	National Refinery Limited	26,463,800	25,452,900	27,851,542	27,851,542
	1,302	1,302	NIB Bank Limited	3,021	2,591	13,733	13,733
	75,000	-	Nishat Mills Limited	7,065,750	-	5,718,674	-
	650,000	593,320	Pakistan Oil fields Limited	323,290,500	217,712,841	210,021,584	186,136,609
	450,000	150,000	Pakistan Petroleum Limited	95,211,000	28,243,500	77,397,317	25,861,994
	150,000	-	Pakistan State Oil Company Limited	48,057,000	-	33,444,323	-
	300,000	-	The Hub Power Company Limited	18,495,000	-	16,844,523	-
	143	143	Trust Investment Bank Limited	260	196	660	660
				1,044,511,205	660,716,842	804,026,831	558,080,970
			Add: Adjustment arising from re-measurement to fair value			240,484,374	102,635,872
			Market value			1,044,511,205	660,716,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

15. OTHER RECEIVABLES	Note	2013 Rupees	2012 Rupees
Advance income tax		204,564,042	182,125,833
Export rebate		20,965,140	14,526,997
Due from Associated Companies			
- Amer Cotton Mills (Private) Limited		364,633	-
- Diamond Fabrics Limited		278,539	172,630
- Reliance Cotton Spinning Mills Limited		631,187	135,096
- Sapphire Textile Mills Limited		-	80,577
- Sapphire Finishing Mills Limited		190,288	-
	15.1	1,464,647	388,303
Claim recoverable from NTDCL for pass through item			
- Workers' Profit Participation Fund	15.2	130,573,949	56,776,616
Insurance claims receivable	15.3	531,921,069	58,559,551
Others		164,569	205,997
		889,653,416	312,583,297

15.1 Due from Associated Companies has arisen due to sharing of expenses on account of combined offices.

15.2 Under section 9.3(a) of the PPA with NTDC, payments to Workers' Profit Participation Fund are recoverable from NTDC as a pass through item.

15.3 In December 2012, the compressor rotor of the Gas Turbine Generator II of the Subsidiary Company's power plant was damaged. The Subsidiary Company filed an insurance claim of Rs.938.862 million in respect of the loss due to this damage which comprises property damage of Rs.507.554 million and business interruption loss of Rs.431.308 million as per the terms of the insurance policy. In order to verify the insurance claim, the insurance company appointed a Surveyor which has completed its survey and has issued an Interim Survey Report to the insurance company subsequent to the year end. Based on discussion with the Surveyor, the Subsidiary Company's management has recognised this amount as receivable on prudence basis and is confident that it will receive the remaining amount of claim filed. Consequently, any differential amount will be recognised on final assessment of the insurance claim in future periods.

Moreover, the Subsidiary Company has incurred an amount of Rs.507.554 million on the repair / restoration of the above rotor which has been netted off from the claim booked as receivable and the net amount of Rs.24.367 million is included in revenue for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

16. TAX REFUNDS DUE FROM GOVERNMENT	Note	2013 Rupees	2012 Rupees
Sales tax		138,170,847	104,308,966
Income tax		121,444,660	69,156,446
Excise duty		11,921,559	49,917,670
		271,537,066	223,383,082

17. CASH AND BANK BALANCES	Note	2013 Rupees	2012 Rupees
Cash-in-hand	17.1	8,333,114	6,040,132
Balances with banks on:			
- off shore current account	17.2	135,976,276	150,454,382
- on shore:			
current accounts	17.3	1,017,356,190	94,469,183
term deposit account (TDA)	17.4	112,935,611	72,081,609
dividend account		2,939,865	1,792,445
		1,269,207,942	318,797,619
		1,277,541,056	324,837,751

17.1 Cash-in-hand includes Rs.0.205 million (2012: Rs.0.205 million) advanced to employees for various expenses.

17.2 This represent USD 1.379 million (2012: USD 1.601 million) translated in Pak Rupees at the reporting date.

17.3 These include foreign currency deposits amounting to USD 538,576 (2012: USD 569,935).

17.4 Effective rates of profit on TDA, during the year, ranged from 5.00% to 8.25% (2012: 5.00% to 8.25%) per annum.

18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013 ----- Numbers -----	2012		2013 Rupees	2012 Rupees
11,775,000	11,775,000	Ordinary shares of Rs.10 each fully paid in cash	117,750,000	117,750,000
7,912,500	7,912,500	Ordinary shares of Rs.10 each issued as fully paid bonus shares	79,125,000	79,125,000
19,687,500	19,687,500		196,875,000	196,875,000

18.1 10,173,796 (2012: 9,663,681) ordinary shares of Rs.10 each are held by Associated Companies as at year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

19. RESERVES	Note	2013 Rupees	2012 Rupees
Capital reserve			
- share premium	19.1	145,740,000	145,740,000
- Maintenance reserve	19.2	261,166,584	158,253,530
General reserve		1,183,845,000	1,183,845,000
Unrealised gain on available for sale investments		3,486,456,351	1,775,891,776
Unrealised gain on re-measurement of hedging instrument of Asso. Co.		69,191	-
		<u>5,077,277,126</u>	<u>3,263,730,306</u>

19.1 This represents excess of consideration received on issue of ordinary shares over face value on ordinary shares issued.

19.2 Under the term of the PPA, the Subsidiary Company is required to maintain a Reserve Fund. The Fund can only be utilized to pay expenses on major maintenance for proper operation of the power station.

19.3 In accordance with the terms of agreement with the lenders of long term finances, there are certain restrictions on the distribution of dividends by the Subsidiary Company.

20. LONG TERM FINANCES - Secured

(a) Sapphire Fibres Limited

From banking companies:

- Allied Bank Limited	20.1	450,000,000	750,000,000
- Habib Metropolitan Bank Limited	20.2	-	5,000,000
- Standard Chartered Bank (Pakistan) Limited	20.3	-	89,477,000
- NIB Bank Limited	20.4	54,581,000	-
		<u>504,581,000</u>	<u>844,477,000</u>

(b) Sapphire Electric Company Limited

From banking companies:

- National Bank of Pakistan	1,458,440,268	1,582,066,350
- Habib Bank Limited	2,537,090,831	2,752,149,757
- United Bank Limited	1,691,393,879	1,834,766,499
- MCB Bank Limited	1,691,393,880	1,834,766,497
- Allied Bank limited	1,691,393,881	1,834,766,498
- Bank Alfalah Limited	1,078,650,217	1,170,083,061
- Silkbank Limited	216,095,591	234,371,147
- Meezan Bank Limited	432,501,057	469,015,428

20.5	<u>10,796,959,604</u>	11,711,985,237
	<u>11,301,540,604</u>	12,556,462,237

Less: current portion grouped under current liabilities

<u>1,288,072,617</u>	1,231,210,253
<u>10,013,467,987</u>	<u>11,325,251,984</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

- 20.1** The Parent Company has arranged general purpose demand finance facility amounting Rs.1,500 million from Allied Bank Limited. This finance facility is repayable in 10 equal semi-annual instalments commenced from February 24, 2010 and ending on August 24, 2014. This finance facility carries mark-up at the rates ranging from 10.50% to 13.03% (2012: 12.96% to 14.50%) per annum and is secured against pari passu hypothecation charge of Rs.2,000 million over present and future fixed moveable assets of the Company.
- 20.2** The Parent Company had arranged long term finance facilities aggregating Rs.60.103 million from Habib Metropolitan Bank Limited to retire import documents under SBP scheme for imported & locally manufactured plant and machinery. These finance facilities were repayable in 6 equal semi-annual instalments commenced from September 19, 2009 and have been fully repaid in November 2012. These finance facilities carried mark-up at the rate of 9.20% (2012: at the rates ranged from 8.00% to 9.20%) per annum and were secured against exclusive charge of Rs.81.50 million over the machinery financed by the bank.
- 20.3** The Parent Company had arranged long term finance facilities aggregating Rs.89.477 million from Standard Chartered Bank (Pakistan) Limited to retire import documents under SBP scheme for imported plant and machinery. Originally these finance facilities were repayable in 8 equal semi-annual instalments commenced from January, 2013; however, the Parent Company has repaid the entire outstanding balance of these finance facilities in January 2013. These finance facilities carried mark-up at the rate of 12.60% (2012: 12.60%) per annum and were secured against exclusive charge of Rs.90 million over imported plant and machinery.
- 20.4** The Parent Company, during the year, has arranged long term finance facilities aggregating Rs.54.581 million from NIB Bank Limited to retire import documents under SBP scheme for imported plant and machinery. These finance facilities are repayable in 12 equal semi-annual instalments commencing from September 8, 2014 and ending on May 29, 2020. These finances carry mark-up at the rate of 9.40% per annum and are secured against joint pari passu charge of Rs.200 million over the machinery financed by the bank.

Sapphire Electric Company Limited

- 20.5** This represents long term financing obtained from a consortium of banks led by United Bank Limited (Agent Bank). The overall financing is secured against all and each of the Subsidiary Company's mortgaged project receivables, lien over the project bank accounts, mortgage of immoveable property, hypothecation of all present and future assets and properties of the Subsidiary Company (excluding the mortgaged project receivables and the mortgaged immovable property) and by the collectively agreed pledge of 51% shares of the Subsidiary Company held by the sponsors. It carries mark-up at the rate of 3 months KIBOR plus 3% per annum, payable on quarterly basis. The effective mark-up rate charged on the outstanding balance during the year ranges from 12.26% to 14.95% (2012: 14.78% to 16.63%) per annum. As of June 30, 2013, the principal is repayable in twenty nine quarterly instalments ending on August 31, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

21. STAFF RETIREMENT BENEFIT - Gratuity

Projected unit credit method, based on the following significant assumptions, is used for valuation of gratuity:

	2013	2012
- discount rate	10.50%	13%
- expected rate of growth per annum in future salaries	9.50%	12%
- average expected remaining working life time of employees	7 years	7 years
The amount recognised in the balance sheet is as follows:	2013 Rupees	2012 Rupees
Present value of defined benefit obligation	169,798,106	131,457,117
Unrecognised actuarial (losses) / gains	(11,878,557)	9,737,042
Net liability at end of the year	<u>157,919,549</u>	<u>141,194,159</u>
Net liability at beginning of the year	141,194,159	121,145,344
Charge to profit and loss account	44,435,041	43,675,507
Benefits paid	(27,709,651)	(23,626,692)
Net liability at end of the year	<u>157,919,549</u>	<u>141,194,159</u>
The movement in the present value of defined benefit obligation is as follows:		
Balance at beginning of the year	131,457,117	117,869,526
Current service cost	27,345,616	27,173,773
Interest cost	17,089,425	16,501,734
Benefits paid	(27,709,651)	(23,626,692)
Actuarial loss / (gain)	21,615,599	(6,461,224)
Balance at end of the year	<u>169,798,106</u>	<u>131,457,117</u>
Expense recognised in profit and loss account is as follows:		
Current service cost	27,345,616	27,173,773
Interest cost	17,089,425	16,501,734
Charge for the year	<u>44,435,041</u>	<u>43,675,507</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2013	2012	2011	2010	2009
	----- Rupees -----				
Present value of defined benefit obligation	<u>169,798,106</u>	<u>131,457,117</u>	<u>117,869,526</u>	<u>102,876,589</u>	<u>88,021,969</u>
Experience adjustment on obligation	<u>21,615,599</u>	<u>(6,461,224)</u>	<u>(3,209,869)</u>	<u>(7,005,756)</u>	<u>(2,380,117)</u>

The Company's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits).

Expected charge to gratuity plan for the year ending June 30, 2014 amounts to Rs.50.029 million.

22. DEFERRED TAXATION - Net	Note	2013 Rupees	2012 Rupees
Credit balance arising in respect of ;			
- accelerated tax depreciation allowance / investment in associates		40,301,497	56,567,163
- re-measurement of short term investments		4,720,834	6,275,753
		<u>45,022,331</u>	<u>62,842,916</u>
Debit balances arising in respect of ;			
- staff retirement benefit - gratuity		(5,626,989)	(7,155,720)
- provision for slow moving items		(156,050)	(226,370)
		<u>(5,783,039)</u>	<u>(7,382,090)</u>
		<u>39,930,765</u>	<u>55,460,826</u>
23. TRADE AND OTHER PAYABLES			
Trade creditors	23.1	934,294,880	1,672,413,657
Payable to contractors		73,681,075	198,132,948
Bills payable	23.2	80,690,070	42,528,516
Advance payments		19,361,569	39,073,319
Accrued expenses	23.3	417,933,924	345,290,477
Sindh government infrastructure fee	23.4	84,450,642	72,104,685
Retention money		83,402,198	122,352,579
Workers' profit participation fund	23.5	211,001,458	109,230,786
Workers' welfare fund	23.6	88,380,045	61,637,929
Unclaimed dividend		2,982,639	1,837,644
Unrealised loss on re-measurement of forward exchange contract		-	1,073,537
Others		6,402,399	13,833,529
		<u>2,002,580,899</u>	<u>2,679,509,606</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

- 23.1** These include Rs.45.113 million (2012: Rs. 139.040 million) which pertains to Associated Companies.
- 23.2** These are secured against import documents.
- 23.3** These include Rs.19.975 million (2012: Rs. 18.579 million) which pertains to Associated Companies.
- 23.4** This provision has been recognised against disputed infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Parent Company has contested this issue in the Sindh High Court (the High Court). The Parent Company filed an appeal in the Supreme Court against the judgement of the High Court dated September 15, 2008 partly accepting the appeal by declaring the levy and collection of infrastructure fee prior to December 28, 2006 was illegal and ultra vires and after that it was legal. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

The above appeals were disposed off in May 2011 with a joint statement of the parties that, during the pendency of the appeals, another law come into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. Accordingly, the petition was filed in the High Court in respect of the above view. During the pendency of this appeal an interim arrangement was agreed whereby bank guarantees furnished for consignments cleared upto December 27, 2006 were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006 while payment was made against the balance amount. Similar arrangement continued for the consignments released during the current year.

As at June 30, 2013, the Parent Company has provided bank guarantees aggregating Rs.61.950 million (2012: Rs.51.950 million) in favour of Excise and Taxation Department. The management believes that the chance of success in the petition is in the Parent Company's favour.

23.5 Workers' profit participation fund	2013 Rupees	2012 Rupees
Balance at beginning of the year	109,230,786	122,798,636
Add: interest on funds utilised in the Group's business	12,020,039	12,050,235
	121,250,825	134,848,871
Less: payments made during the year	54,420,690	122,545,552
	66,830,135	12,303,319
Add: allocation for the year	144,171,323	96,927,467
Balance at end of the year	211,001,458	109,230,786
23.6 Workers' welfare fund		
Balance at beginning of the year	61,637,929	42,348,881
Add: charge for the year	26,742,116	19,289,048
Balance at end of the year	88,380,045	61,637,929
23.7 Workers' welfare fund have not been provided for the Subsidiary Company based on advice of legal Consultant.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

24. ACCRUED MARK-UP / INTEREST	Note	2013 Rupees	2012 Rupees
Mark-up / interest accrued on:			
- long term finances		128,474,276	599,464,108
- short term borrowings		192,459,514	184,640,035
		320,933,790	784,104,143
25. SHORT TERM BORROWINGS			
Running / cash finances - secured	25.1	5,272,352,061	6,362,146,350
Term finances	25.2	629,789,601	-
Temporary bank overdraft - unsecured	25.3	254,947,594	5,508,084
		6,157,089,256	6,367,654,434

25.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs.14,822 million (2012: Rs.12,378 million). These finance facilities, during the current financial year, carry mark-up at the rates ranging from 8.70% to 13.74% (2012: 11.00% to 15.53%) per annum. The aggregate short term finance facilities are secured against hypothecation / ranking pari passu charge on all present and future current and fixed assets of the Group, first ranking assignment of the energy payment price receivables, exclusive hypothecation charge on the fuel stock / inventory, lien on export / import documents, trust receipts and promissory notes duly signed by the directors.

Included in short term finances is an aggregate amount of Rs. Nil (U.S.\$ Nil) [2012: Rs.423.201 million {U.S.\$ 4.493 million}] representing foreign currency loans obtained from various banks. The rates of mark-up on these finance facilities ranged from 1.47% to 2.25% (2012:1.40% to 3.65%) per annum.

Short term finance facilities available from various commercial banks under mark-up arrangements on Group basis aggregate to Rs.174 million (2012: Rs.174 million).

Facilities available for opening letters of credit and guarantee aggregate to Rs.9,808 million (2012: Rs.9,213 million) out of which the amount remained unutilised at the year-end was Rs.6,276 million (2012: Rs.4,811 million). These facilities are secured against lien on shipping documents, hypothecation charge on current and fixed assets, cash margins, pledge of shares and counter guarantee.

Facilities available for opening letters of credit and discounting of local & foreign bills from various commercial banks on Group basis aggregate to Rs.2,615 million (2012: Rs.2,415 million) and are secured against lien over export documents / bills, lien over import documents & commodities, lien over discrepant documents negotiated under letters of credits / contracts and trust receipts.

Abovementioned facilities are expiring on various dates upto June 30, 2014.

25.2 This represents murahaba finance facilities aggregating Rs.629 million (2012:Nil) under mark-up arrangements from commercial banks at mark-up rate of six months KIBOR plus 1.25% per annum, to finance the procurement of multiple oils from the fuel suppliers. Mark-up is payable at the maturity of the respective murahaba transaction. The aggregate facilities are secured against first pari passu charge on current asset comprising of fuel stocks, inventories and receivables from NTDC. The effective mark-up rate charged during the year on the outstanding balance ranges from 10.81% to 10.83% (2012:Nil) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

25.3 This represents book overdraft balance due to unrepresented cheques.

26. CONTINGENCIES AND COMMITMENTS

Contingencies

26.1 Guarantees aggregating Rs.1,963.114 million (2012: Rs.1,378.114 million) have been issued by banks of the Group to various Government institutions and Sui Northern Gas Pipeline Limited.

26.2 Claims against the Subsidiary Company not acknowledged as debts amount to Rs.19.214 million (2012: Rs.19.240 million). Provision has not made in these consolidated financial statements for the aforesaid amount as management is confident that it will not materialize.

Commitments

26.3 The Subsidiary Company has an agreement for High speed Diesel (HSD) supply from Shell Pakistan Limited (SPL) for a period up to twelve years from the Commercial Operations Date of the power station i.e. October 05, 2010. Under the terms of the HSD Supply Agreement, the Subsidiary Company is not required to buy any minimum quantity of HSD from SPL.

26.4 The Subsidiary Company has an agreement with a consortium between General Electric International, Inc. and General Electric Energy Parts, Inc. for the operations and maintenance (O&M) of the power station from the Commercial Operations Date upto earlier of the time when the power station has run 144,000 Fired Hours and February 14, 2030. Under the terms of the O&M agreement, the Subsidiary Company is required to pay a monthly fixed O&M fee and a variable O&M fee depending on operation of the plant on gas or diesel, both of which shall be subject to an annual increase of 3%.

26.5	Commitments in respect of :	Note	2013 Rupees	2012 Rupees
	- letters of credit for capital expenditure		<u>102,079,920</u>	<u>64,102,476</u>
	- letters of credit for purchase of raw materials and stores, spare parts and chemicals		<u>96,846,515</u>	<u>225,727,900</u>
	- capital expenditure other than letters of credit		<u>42,300,000</u>	<u>31,050,363</u>
	- forward foreign exchange contracts		<u>-</u>	<u>277,714,562</u>
	- foreign bills discounted		<u>1,112,467,785</u>	<u>1,534,120,173</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

27. SALES- Net	Note	2013 Rupees	2012 Rupees
Export sales:			
Yarn	27.1	9,976,461,740	9,738,615,642
Fabric		284,186,569	326,286,377
Garments		1,576,541,258	1,179,909,074
Waste	27.3	314,009,438	395,421,817
		12,151,199,005	11,640,232,910
Local sales:			
Yarn		1,481,397,604	834,759,197
Fabric		14,694,779	16,774,264
Garments		15,661,839	6,734,949
Energy purchase price		14,788,996,572	12,297,669,543
Capacity purchase price	27.2	4,086,054,026	3,995,664,238
Raw material		26,513,983	88,629,556
Waste	27.3	155,556,077	154,451,076
Others		1,504,512	-
		20,570,379,392	17,394,682,823
		32,721,578,397	29,034,915,733
Export rebate		23,714,362	13,888,295
Processing services		51,732,755	43,256,115
Duty drawback		-	16,291,905
		32,797,025,514	29,108,352,048
Less: sales tax		(2,037,297,541)	(1,656,670,630)
		30,759,727,973	27,451,681,418

27.1 This includes indirect export of Rs.1,861.362 million (2012: Rs.2,166.458 million).

27.2 Includes Rs.364.690 million which represents differential amount of sales for the previous period from October 05, 2010 to June 30, 2012 due to change in tariff. During the previous year, the Subsidiary Company's management had applied to National Electric Power Regulatory Authority (NEPRA) for revision in tariff, however, the differential amount of sales due to change in tariff could not be quantified since the ultimate outcome of NEPRA's decision on the tariff revision application was uncertain. Hence, such sales could not be recognised in the previous periods as the tariff relating to aforesaid period was revised by NEPRA during the current year through its decision dated November 23, 2012 and December 24, 2012. Under these circumstances the differential amount of sales relating to previous periods due to change in tariff has been claimed and recognised in current year. Such a change has been accounted for as a change in accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and has been recognised prospectively in the current year.

27.3 Waste sales includes sale of comber noil.

27.4 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.34.820 million (2012: Rs.16.322 million) has been included in export sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

28. COST OF SALES	Note	2013 Rupees	2012 Rupees
Finished goods at beginning of the year		346,787,722	361,721,515
Cost of goods manufactured	28.1	24,895,207,611	21,903,737,204
Cost of raw materials sold		26,040,213	76,384,391
		24,921,247,824	21,980,121,595
		25,268,035,546	22,341,843,110
Finished goods at end of the year		(393,606,498)	(346,787,722)
		24,874,429,048	21,995,055,388
28.1 Cost of goods manufactured			
Work-in-process at beginning of the year		196,702,362	156,743,398
Raw materials consumed	28.2	20,330,318,793	17,938,986,571
Salaries, wages and benefits	28.3	768,893,009	638,159,421
Operations and maintenance		527,634,755	482,820,538
Packing stores consumed		218,592,148	197,015,980
General stores consumed		218,756,666	197,587,007
Dyes and chemicals consumed		174,039,316	141,225,132
Processing charges		343,449,617	217,509,646
Depreciation	4.4	859,611,966	849,656,636
Fuel and power		1,173,494,141	1,006,452,905
Repair and maintenance		49,771,154	34,915,469
Insurance		199,774,357	170,678,452
Vehicles' running		17,318,689	16,639,099
Travelling and conveyance		11,427,996	13,803,748
Printing and stationery		3,679,616	3,330,773
Legal and professional charge		3,977,341	567,170
Fee and subscription		8,674,606	4,423,578
Entertainment		7,330,619	6,839,098
Telephone		4,781,313	5,177,636
Postage		545,631	192,129
Rent, rates and taxes		3,050,040	850,198
Miscellaneous		23,554,239	16,864,982
		25,145,378,374	22,100,439,566
Work-in-process at end of the year		(250,170,763)	(196,702,362)
		24,895,207,611	21,903,737,204
28.2 Raw materials consumed			
Stocks at beginning of the year		1,826,901,967	2,321,894,676
Purchases		21,312,302,794	17,443,993,862
		23,139,204,761	19,765,888,538
Stocks at end of the year		(2,808,885,968)	(1,826,901,967)
		20,330,318,793	17,938,986,571
28.3	Salaries, wages and benefits include Rs.44.435 million (2012: Rs.43.676 million) and Rs.0.771 million (2012: Rs.0.742 million) in respect of staff retirement benefits gratuity and provident fund respectively.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

29. DISTRIBUTION EXPENSE	Note	2013 Rupees	2012 Rupees
Salaries and other benefits	29.1	20,706,640	18,630,259
Travelling, conveyance and entertainment		11,567,795	11,117,500
Vehicles' running		2,484,864	1,987,871
Telephone		852,477	1,154,327
Postage		1,967,183	1,923,348
Printing and stationery		794,157	589,808
Sample expenses		3,437,493	4,295,392
Commission:			
- local		3,948,984	4,371,548
- export		180,783,048	204,102,639
		184,732,032	208,474,187
Freight and forwarding:			
- local		6,907,450	4,218,936
- export		283,041,418	271,094,044
		289,948,868	275,312,980
Export development surcharge		24,048,855	23,826,297
Other export expenses		24,554,204	27,143,501
		565,094,568	574,455,470

29.1 Salaries and other benefits include Rs.0.857 million (2012: Rs.0.730 million) in respect of contribution to staff provident fund.

30. ADMINISTRATIVE EXPENSES			
Directors' remuneration		21,331,201	19,526,425
Salaries and other benefits	30.1	92,829,791	83,787,515
Telephone		1,799,883	1,436,893
Postage		438,909	380,207
Fee and subscription		5,047,784	3,585,636
Legal and professional charges		14,634,110	16,881,867
Entertainment		1,848,407	1,507,945
Travelling and conveyance		7,414,184	5,158,999
Printing and stationery		4,059,979	3,200,935
Rent, rates and taxes		7,977,347	7,117,656
Advertisement		3,040,201	104,500
Electricity, gas and water		5,247,845	4,221,845
Repair and maintenance		3,340,028	3,287,255
Vehicles' running		10,024,414	8,454,082
Charity and donations	30.2	22,424,762	18,497,208
Insurance		4,574,016	2,684,607
Depreciation	4.4	8,997,795	5,307,789
Amortization	6	1,865,704	1,217,210
Other		171,907	242,334
		217,068,267	186,600,908

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For the year ended June 30, 2013

30.1 Salaries and other benefits include Rs.3.496 million (2012: Rs.3.319 million) in respect of contribution to staff provident fund.

30.2 Donations include the following in which directors are interested:

- Donation of Rs.16.410 million (2012: Rs.10.480 million) charged in these financial statements is paid to Abdullah Foundation, 212 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. Mr. Muhammad Abdullah, Mr. Shahid Abdullah, Mr. Nadeem Abdullah, Mr. Amer Abdullah, Mr. Yousaf Abdullah and Mr. Muhammad Yamin have common directorship in both Companies.

- Donation of Rs.0.650 million (2012: Rs.0.600 million) charged in these financial statements is paid to Jamal-Ud-Din Fatima Charitable trust, 149 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi (a trust). Mr. Muhammad Abdullah, Mr. Shahid Abdullah and Mr. Nadeem Abdullah, directors of the Parent Company are trustees of the trust.

31. OTHER INCOME	Note	2013 Rupees	2012 Rupees
Income from financial assets			
Dividend income		303,253,303	235,781,013
Interest income		2,794,095	2,237,746
Gain on sale of short term investments		10,221,325	18,805,137
Others		-	1,835
		316,268,723	256,825,731
Income from non-financial assets			
Gain on disposal of operating fixed assets	4.5	2,841,974	6,397,584
Gain on sale of store and spares		91,288	-
Rental income from investment property		13,734,000	12,713,550
Scrap sales [Net of sales tax aggregating Rs.3.093 million (2012: Rs.3.343 million)]		19,570,257	19,813,829
		36,237,519	38,924,963
		352,506,242	295,750,694
32. OTHER EXPENSES			
Depreciation of investment property	5	1,279,394	1,421,549
Workers' profit participation fund		70,373,990	50,760,654
Workers' welfare fund	23.6	26,742,116	19,289,048
Auditors' remuneration	32.1	2,839,624	3,048,030
Loss on sale of store and spares		-	8,665
Net exchange loss including loss on forward contracts		5,059,131	73,564,581
Advances written off		20,766	4,835,912
Interest on delayed payment		7,495,801	57,399,431
Sales tax paid under amnesty scheme		5,053,499	-
Bad debts written-off		2,029,674	-
Others		1,714,454	-
		122,608,449	210,327,870

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32.1 Auditors' remuneration	Note	2013 Rupees	2012 Rupees
Hameed Chaudhri & Co.			
Annual audit		1,210,000	1,100,000
Half yearly review		200,000	200,000
Review of Code of Corporate Governance		62,000	62,000
Audit of retirement funds		20,000	20,000
Out-of-pocket expenses		34,000	34,000
		1,526,000	1,416,000
A.F. Ferguson & Co.			
- audit fee		1,000,000	900,000
- other assurance services		156,264	530,000
- tax services		75,801	68,100
- reimbursement of expenses		81,559	133,930
		1,313,624	1,632,030
		2,839,624	3,048,030
33. FINANCE COST			
Mark-up / interest on:			
- long term finances		1,560,701,260	1,975,455,517
- short term borrowings		875,240,018	814,215,721
Interest on workers' profit participation fund	23.5	12,020,039	12,050,235
Bank and other financial charges		84,901,735	85,814,139
Loan arrangement fee		5,945,893	7,332,109
		2,538,808,945	2,894,867,721
34. TAXATION			
Current			
- for the year	34.1	144,001,432	131,220,346
- for prior year		896,951	(15,428,085)
		144,898,383	115,792,261
Deferred			
- relating to temporary differences		(12,589,610)	(18,664,470)
- resulting from reduction in tax rate		(1,385,531)	-
		(13,975,141)	(18,664,470)
		130,923,242	97,127,791
34.1	The income of the Parent Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001 and current year's provision is made accordingly.		
34.2	Income tax assessments of the Parent Company have been completed upto the Tax Year 2012; the return for the said year has not been taken-up for audit till June 30, 2013.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

35. EARNINGS PER SHARE - Basic and Diluted	Note	2013 Rupees	2012 Rupees
Net profit for the year		<u>2,077,134,618</u>	<u>1,424,854,634</u>
		---- Number of shares ----	
Weighted average number of ordinary shares outstanding for the year		<u>19,687,500</u>	<u>19,687,500</u>
		----- Rupees -----	
Basic earnings per share		<u>105.51</u>	<u>72.37</u>
35.1 Diluted earnings per share			
A diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue as at June 30, 2013 and June 30, 2012 which would have any effect on the earnings per share if the option to convert is exercised.			
36. CASH GENERATED FROM OPERATIONS			
Profit before taxation		2,794,224,938	1,886,124,755
Adjustments for non-cash charges and other items:			
Depreciation		868,609,761	854,964,425
Depreciation of investment property		1,279,394	1,421,549
Amortization		1,865,704	1,217,210
Staff retirement benefit - gratuity		44,435,041	43,675,507
(Reversal) / provision for slow moving items		(87,208)	502,035
Provision for workers' profit participation fund		70,373,990	50,760,654
Provision for workers' welfare fund		26,742,116	19,289,048
Gain on disposal of operating fixed assets		(2,841,974)	(6,397,584)
Gain on sale of short term investments		(10,221,325)	(18,805,137)
(Gain) / loss on sale of stores and spares		(91,288)	8,665
Dividend and interest income		(306,047,398)	(238,018,759)
Finance cost		2,538,808,945	2,894,867,721
Exchange loss		5,059,131	73,564,581
Advances written-off		20,766	4,835,912
Bad debts written-off		2,029,674	-
Working capital changes	36.1	<u>464,727,031</u>	<u>(2,838,128,287)</u>
		<u>6,498,887,298</u>	<u>2,729,882,295</u>
36.1 Working capital changes			
(Increase) / decrease in current assets:			
- Stores, spare parts and loose tools		(2,831,373)	1,973,996
- Stock-in-trade		(1,070,781,423)	222,359,118
- Trade debts		2,879,749,520	(3,952,609,384)
- Loans and advances		(28,299,697)	(4,788,113)
- Deposits, other receivables and sales tax		(648,602,819)	99,707,783
		<u>1,129,234,208</u>	<u>(3,633,356,600)</u>
(Decrease) / Increase in trade and other payables		<u>(664,507,177)</u>	<u>795,228,313</u>
		<u>464,727,031</u>	<u>(2,838,128,287)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	----- Rupees -----					
Managerial remuneration	16,561,063	15,145,919	6,386,402	5,960,148	58,619,705	56,474,831
Contribution to provident fund trust	-	-	31,298	183,704	3,153,130	2,888,871
Perquisites and benefits:						
House rent	7,452,403	6,815,663	2,873,883	2,682,072	26,378,874	25,413,675
Utilities	755,284	689,043	301,515	283,380	3,682,702	3,656,188
Medical	290,376	273,013	47,728	39,204	1,598,357	1,673,269
Leave encashment / bonus	-	-	612,515	517,262	11,914,952	11,875,948
Other benefits	-	-	827,860	860,655	12,738,939	14,779,133
	8,498,063	7,777,719	4,663,501	4,382,573	56,313,824	57,398,213
	25,059,126	22,923,638	11,081,201	10,526,425	118,086,659	116,761,915
No. of persons	1	1	2	2	52	57

37.1 Certain executives are provided with Company maintained vehicles.

38. FINANCIAL RISK MANAGEMENT

The Group has exposures to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

The Group's overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

38.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk mainly arises from investments, loans, deposits, trade debts, other receivables and balances with banks.

The carrying amount of financial assets represents the maximum credit exposure. The financial assets exposed to credit risk aggregated to Rs.12,082 million (2012: Rs.11,508 million) as at June 30, 2013. Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 94% (2012: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

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	2013 Rupees	2012 Rupees
Long term investments	4,193,939,557	2,623,542,273
Long term loans	940,540	959,884
Long term deposits	20,860,065	18,674,065
Trade debts	4,882,524,483	7,764,300,677
Loans and advances	5,509,273	4,532,320
Trade deposits	5,000	5,000
Short term investments	1,044,511,205	660,716,842
Other receivables	664,124,234	115,930,467
Interest receivable	672,477	672,098
Bank balances	1,269,207,942	318,797,619
	12,082,294,776	11,508,131,245

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Export sales made to major customers are secured through letters of credit.

The maximum exposure to credit risk for trade debts at the reporting date by geographic region is as follows:

Domestic	3,929,137,938	7,126,597,246
Export	953,386,545	637,703,431
	4,882,524,483	7,764,300,677

The majority of export debts of the Group are situated in Asia, Europe, America, Australia and Africa.

The maximum exposure to credit risk for trade debts at the reporting date by type of product is as follows:

Yarn	1,077,644,446	669,630,905
Fabric	23,354,629	29,979,431
Garments	160,311,732	138,754,491
Power	3,587,022,669	6,877,850,252
Processing services	4,224,601	5,845,130
Waste	17,880,493	38,734,394
Other	12,085,913	3,506,074
	4,882,524,483	7,764,300,677

Based on past experience, the Group's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.3,527.737 million have been realised subsequent to the year-end and for other debts there are reasonable grounds to believe that the amounts will be realised in short course of time. Further, major export debts are secured through letters of credit.

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The credit quality of loans, advances, deposits and other receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The credit quality of the Group's bank balances can be assessed with reference to the external credit ratings as follows:

Name of Bank	Rating agency	Short term rating	Long term rating	2013 Rupees	2012 Rupees
MCB Bank Limited	PACRA	A1+	AAA	30,473,760	17,520,436
National Bank of Pakistan	JCR-VIS	A-1+	AAA	923,616,348	3,415,288
Meezan Bank Limited	JCR-VIS	A-1+	AA	290,665	596,519
Allied Bank Limited	PACRA	A1+	AA+	-	463,007
Bank Alfalah Limited	PACRA	A1+	AA	-	10,001,000
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA	-	5,160,600
Habib Bank Limited	JCR-VIS	A-1+	AAA	11,314,951	12,039,426
Citibank N.A.	Moody's	P-2	A3	559,434	585,941
Faysal Bank Limited	PACRA	A1+	AA	6,475,480	6,226,847
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	22,605,420	21,394,512
Bank Al-Habib Limited	PACRA	A1+	AA	2,390,856	3,784,377
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	A	153,563	343,254
Askari Bank Limited	PACRA	A1+	AA	691,095	121,994
Deutsche Bank AG	Moody's	P-1	A2	97,161	947,513
NIB Bank Limited	PACRA	A1+	AA-	20,000	207,664
United Bank Limited	JCR-VIS	A-1+	AA+	263,573,567	235,967,004
The Bank of Punjab	PACRA	A1+	AA-	350	-
Silkbank Limited	JCR-VIS	A-2	A-	6,945,292	22,237
				1,269,207,942	318,797,619

The credit risk in respect of investments is also limited as such investee companies enjoy reasonably high credit rating.

38.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity 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 Group's reputation.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 year and above
----- Rupees -----					
June 30, 2013					
Long term finances	11,301,540,604	11,322,226,685	1,322,012,231	4,661,909,248	5,338,305,206
Long term security deposit	2,100,000	2,100,000	-	2,100,000	-
Trade and other payables	1,599,387,185	1,599,387,185	1,599,387,185	-	-
Accrued mark-up / interest	320,933,790	320,933,790	320,933,790	-	-
Short term borrowings	5,272,352,061	6,017,039,393	6,017,039,393	-	-
	<u>18,496,313,640</u>	<u>19,261,687,053</u>	<u>9,259,372,599</u>	<u>4,664,009,248</u>	<u>5,338,305,206</u>
----- Rupees -----					
June 30, 2012					
Long term finances	12,556,462,237	12,708,019,454	1,324,737,416	6,673,777,011	4,709,505,027
Long term security deposit	2,100,000	2,100,000	-	2,100,000	-
Trade and other payables	2,396,389,350	2,396,389,350	2,396,389,350	-	-
Accrued mark-up / interest	784,104,143	784,104,143	784,104,143	-	-
Short term borrowings	6,362,146,350	6,431,949,410	6,431,949,410	-	-
	<u>22,101,202,080</u>	<u>22,322,562,357</u>	<u>10,937,180,319</u>	<u>6,675,877,011</u>	<u>4,709,505,027</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up / interest rates effective at the respective year-ends. The rates of mark-up / interest have been disclosed in the respective notes to these consolidated financial statements.

38.3 Market risk

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

(a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk on import of raw materials, stores & spare parts, plant & machinery, export of goods and foreign currency bank accounts mainly denominated in U.S. Dollar, Euro, Swiss Frank and Japanese Yen. The Group's exposure to foreign currency risk for U.S. Dollar, Euro, Swiss Frank and Japanese Yen is as follows:

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	Rupees	U.S.\$	Euro	CHF.	YEN.
June 30, 2013					
Bills payables	80,690,070	258,713	160,600	45,000	29,700,000
Trade and other payables	372,697,731	3,478,617	224,695	-	-
Advance payments	15,517,807	156,746	-	-	-
	468,905,608	3,894,076	385,295	45,000	29,700,000
Trade debts	(953,386,545)	(9,295,703)	(285,838)	-	-
Bank balances	170,118,622	(1,725,341)	-	-	-
	(314,362,315)	(7,126,968)	99,457	45,000	29,700,000
Gross balance sheet exposure					
Outstanding letters of credit	198,926,435	930,586	106,958	889,841	-
	(115,435,880)	(6,196,382)	206,415	934,841	29,700,000
Net exposure					
	Rupees	U.S.\$	Euro	CHF.	YEN.
June 30, 2012					
Bills payables	42,528,516	401,474	49,996	-	-
Trade creditor	800,090,782	8,210,875	224,695	-	-
Advance payments	35,224,677	373,935	-	-	-
Short term borrowings	423,200,812	4,492,578	-	-	-
Accrued mark-up on short term borrowings	1,957,536	20,761	-	-	-
	1,303,002,323	13,499,623	274,691	-	-
Trade debts	(637,703,431)	(6,049,143)	(583,413)	-	-
Bank balances	(204,028,316)	(2,170,514)	-	-	-
	461,270,576	5,279,966	(308,722)	-	-
Gross balance sheet exposure					
Outstanding letters of credit	289,830,376	2,326,928	319,138	314,884	1,484,560
Forward exchange contracts	277,714,562	948,276	1,600,000	-	-
	1,028,815,514	8,555,170	1,610,416	314,884	1,484,560
Net exposure					

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2013	2012	2013	2012
U.S.\$ to Rupee	96.44	89.06	98.80 / 98.60	94.20 / 94.00
EURO to Rupee	125.35	119.05	129.11 / 128.85	118.50 / 118.25
CHF to Rupee	101.81	97.46	104.71	98.62
YEN to Rupee	1.1100	1.1511	0.9994	1.1869

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Sensitivity analysis

At the reporting date, if Rupee had strengthened by 10% against US Dollar, Euro Swiss Frank and Japanese Yen with all other variables held constant, profit for the year would have been increased / (decreased) by the amount shown below mainly as a result of net foreign exchange gain / (loss) on translation of financial assets and liabilities.

	2013 Rupees	2012 Rupees
Effect on profit for the year:		
US \$ to Rupee	(70,271,904)	49,737,280
EURO to Rupee	1,284,089	(3,658,356)
CHF to Rupee	471,195	-
YEN to Rupee	2,968,218	-

The weakening of Rupee against US Dollar, Euro, Swiss Frank and Yen would have had an equal but opposite impact on the profit for the year.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Group.

(b) Interest rate risk

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

Majority of the interest rate risk of the Group arises from short & long term borrowings from banks and deposits with banks. At the reporting date the profile of the Group's interest bearing financial instruments is as follows:

	2013 ---- Effective rate ---- %	2012 %	2013 ---- Carrying amount ---- Rupees	2012 Rupees
Fixed rate instruments				
Financial assets				
Term deposit account	5.00 to 8.25	5.00 to 8.25	<u>112,935,611</u>	<u>72,081,609</u>
Financial liabilities				
Long term finances	9.40 to 12.60	9.20 to 12.60	<u>54,581,000</u>	<u>94,477,000</u>
Trade and other payables	-	18	<u>-</u>	<u>297,997,398</u>
Variable rate instruments				
Financial assets				
Trade debts	13.76 to 16.46	16.25 to 18.04	<u>6,361,000</u>	<u>4,638,626,686</u>
Financial liabilities				
Long term finances	10.50 to 13.03	12.96 to 14.50	<u>11,246,959,604</u>	<u>12,461,985,237</u>
Short term borrowings	1.47 to 13.74	1.40 to 15.12	<u>5,272,352,061</u>	<u>6,362,146,350</u>
Trade and other payables	-	14.91	<u>-</u>	<u>249,508,946</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in mark-up / interest rates at reporting date would not affect profit and loss account.

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Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in mark-up / interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the year 2012.

	Rupees	Rupees
Cash flow sensitivity- variable rate instruments		
As at June 30, 2013	<u>165,193,117</u>	<u>(165,193,117)</u>
As at June 30, 2012	<u>190,736,405</u>	<u>(190,736,405)</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Group.

(c) Price risk

Price risk is the risk that fair value or future cash flows of a 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 traded in the market. The Group's investments in ordinary shares of listed companies and mutual fund securities aggregating Rs.5,209.735 million (2012: Rs.3,255.543 million) are exposed to price risk due to changes in market price.

A 10% increase / decrease in share prices of listed companies at the reporting date would have increased / decreased the unrealised gain on 'available for sale' investments as follows:

	2013 Rupees	2012 Rupees
Effect on equity	<u>520,973,468</u>	<u>325,554,304</u>
Effect on investments	<u>520,973,468</u>	<u>325,554,304</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on equity / investments of the Group.

38.4 Fair value hierarchy

The below table analyzes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities:
- Level 2. Inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices); and
- Level 3. Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

The following table presents the Group's assets that are measured at fair value as at June 30, 2013:

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	Level 1	Level 2	Level 3
	----- Rupees -----		
June 30, 2013			
Assets			
Available for sale investments	5,209,734,684	-	28,716,078
	Level 1	Level 2	Level 3
	----- Rupees -----		
June 30, 2012			
Assets			
Available for sale investments	3,255,543,037	-	28,716,078

38.5 Fair value of financial assets and liabilities

The carrying amounts of all financial assets and liabilities reflected in these consolidated financial statements approximate their fair values.

39. Capital risk management

The Group's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from year 2012. The Group manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the ordinary shareholders, issue new shares or sell assets to reduce debt. The Group finances its operations through equity, borrowings and management of working capital with a view of maintaining an appropriate mix between various sources of finance to minimise risk.

The Group monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings ('long term finances' and 'short term borrowings' as shown in the balance sheet) less cash and bank balances. Total equity includes all capital and reserves of the Group that are managed as capital. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2013 Rupees	2012 Rupees
Total borrowings	17,458,629,860	18,924,116,671
Less: cash and bank balances	1,277,541,056	324,837,751
Net debt	16,181,088,804	18,599,278,920
Total equity	13,561,727,425	9,995,658,962
Total capital	29,742,816,229	28,594,937,882
Gearing ratio	54%	65%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

40. CAPACITY AND PRODUCTION	<u>2013</u>	<u>2012</u>
40.1 Spinning units		
Number of spindles installed	100,032	97,008
Number of spindles worked	98,433	95,385
No. of shifts worked per day	3	3
Total number of days worked	365	365
Installed capacity after conversion into 20's count	Lbs. 65,464,422	60,339,001
Actual production after conversion into 20's count	Lbs. 56,735,263	59,356,924
40.1.1 Actual production varies due to maintenance / shut down and change in count pattern.		
40.2 Dyeing		
Yarn / Fibre Dyeing Unit		
Total number of days worked	232	216
Installed capacity	Lbs. 8,002,407	8,002,407
Actual production	Lbs. 3,212,205	2,727,053
Fabric Dyeing Unit		
Total number of days worked	342	292
Installed capacity	Lbs. 13,171,579	12,929,979
Actual production	Lbs. 6,666,079	5,380,077
40.2.1 Low production is due to less market demand.		
40.3 Knitting unit		
Total number of days worked	363	318
Installed capacity	Lbs. 15,658,951	15,658,951
Actual production	Lbs. 7,058,983	5,494,472
40.3.1 Low production is due to less market demand.		
40.4 Stitching unit		
Total number of days worked	-	-
Installed capacity	Pcs. 1,967,000	1,967,000
Actual production	Pcs. -	-
40.4.1 Sluggish sale in the international markets, power shortage in the country and higher fuel cost forced management to temporarily close its stitching unit.		
40.5 Power		
Installed capacity based on 8,760 hours (2012: 8,784 hours)	MWH 1,795,079	1,827,229
Actual energy delivered	MWH 877,510	871,616
40.5.1 Output produced by the plant is dependent on the load demanded by NTDC and plant availability.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

41. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Associated Companies, directors of the Group, key management personnel and staff retirement funds. The Group in the normal course of business carries out transactions with various related parties. There were no transactions with key management personnel other than under the terms of employment and remuneration of key management personnel is disclosed in note 37. Amounts due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

Relationship with the Group	Nature of transactions	2013 Rupees	2012 Rupees
(i) Associates	Sales:		
	- raw material / yarn / fabric / stores	609,382,389	652,278,279
	- assets	575,000	3,870,500
	Purchases:		
	- raw material / yarn / fabric / stores	570,305,178	594,922,153
	- electricity	275,937,543	217,780,759
	- assets	103,365,375	-
	Share deposit money	60,000,000	40,000,000
	Shares received	100,000,000	-
	Services:		
	- rendered	31,755,302	25,343,908
	- obtained	5,413,282	798,559
	Expenses charged by	12,313,001	9,696,763
	Expenses charged to	3,310,993	5,479,946
Dividend:			
- received	198,626	400,988	
- paid	119,286,861	57,394,930	
(ii) Other	Contribution towards provident fund	5,123,489	4,791,438
	Rent expense	4,348,380	3,953,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

42. SEGMENT INFORMATION

The Group's reportable segments are as follows:

- Spinning;
- Knitting, processing & garments; and
- Power.

42.1 Segment revenues and results

	Spinning	Knitting, processing and garments	Power	Elimination of inter segment transactions	Total
----- Rupees -----					
For the year ended June 30, 2013					
Sales	11,582,370,536	4,715,046,320	16,867,439,208	(2,405,128,091)	30,759,727,973
Cost of sales	9,471,018,718	4,552,153,686	13,256,384,735	(2,405,128,091)	24,874,429,048
Gross profit	2,111,351,818	162,892,634	3,611,054,473	-	5,885,298,925
Selling and distribution expenses	439,567,330	125,527,238	-	-	565,094,568
Administrative expenses	155,933,842	18,425,276	42,709,149	-	217,068,267
Finance cost	409,396,008	45,790,543	2,083,622,394	-	2,538,808,945
	1,004,897,180	189,743,057	2,126,331,543	-	3,320,971,780
Profit / (loss) before taxation and unallocated income and expenses	1,106,454,638	(26,850,423)	1,484,722,930	-	2,564,327,145
Unallocatable income and expenses					
Other expenses					(122,608,449)
Other income					352,506,242
Share of Profit of Associated Companies					17,349,846
Taxation					(130,923,242)
Profit after taxation					2,680,651,542
	Spinning	Knitting, processing and garments	Power	Elimination of inter segment transactions	Total
----- Rupees -----					
For the year ended June 30, 2012					
Sales	11,043,896,100	3,735,243,736	14,640,447,921	(1,967,906,339)	27,451,681,418
Cost of sales	9,290,685,492	3,523,518,434	11,148,757,801	(1,967,906,339)	21,995,055,388
Gross profit	1,753,210,608	211,725,302	3,491,690,120	-	5,456,626,030
Selling and distribution expenses	471,910,954	102,544,516	-	-	574,455,470
Administrative expenses	135,829,356	17,155,212	33,616,340	-	186,600,908
Finance cost	418,223,314	34,470,684	2,442,173,723	-	2,894,867,721
	1,025,963,624	154,170,412	2,475,790,063	-	3,655,924,099
Profit before taxation and unallocated income and expenses	727,246,984	57,554,890	1,015,900,057	-	1,800,701,931
Unallocatable income and expenses					
Other income					295,750,694
Other expenses					(210,327,870)
Share of Profit of Associated Companies					13,663,220
Taxation					(97,127,791)
Profit after taxation					1,802,660,184

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

42.2 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Spinning	Knitting, processing and garments	Power	Total
	----- Rupees -----			
As at June 30, 2013				
Segment assets	7,194,609,504	1,592,228,376	21,357,649,563	30,144,487,443
Unallocatable assets				6,336,728,321
Total assets as per balance sheet				<u>36,481,215,764</u>
Segment liabilities	3,927,000,128	1,157,663,415	14,564,234,927	19,648,898,470
Unallocatable liabilities				476,155,036
Total liabilities as per balance sheet				<u>20,125,053,506</u>
As at June 30, 2012				
Segment assets	5,471,919,410	1,298,370,619	23,992,553,119	30,762,843,148
Unallocatable assets				4,141,169,027
Total assets as per balance sheet				<u>34,904,012,175</u>
Segment liabilities	2,990,886,692	632,181,488	18,730,121,450	22,353,189,630
Unallocatable liabilities				363,736,065
Total liabilities as per balance sheet				<u>22,716,925,695</u>

Sales to domestic customers (excluding Indirect export) in Pakistan are 62.86% (2012: 57.49%) and to customers outside Pakistan (including indirect export) are 37.14% (2012: 42.51%) of the total sales during the year.

The Group sells its manufactured products to local and foreign companies / organisations / institutions. One (2012: One) of the Group's customers contributed towards 82% (2012: 92.77%) of the local sales during the year aggregating Rs.16,867.439 million (2012: Rs.14,640.448 million) which exceeds 10% of the local sales of the Group.

42.3 Geographical information

All segments of the Group are managed on nation-wide basis and operate manufacturing facilities in Pakistan.

43. DISCLOSURE RELATING TO PROVIDENT FUND

Sapphire Fibres Limited

43.1 The Parent Company operates a recognised Provident Fund (the Fund) for its permanent employees.

	2013 Rupees	2012 Rupees
(i) Size of the Fund	<u>32,827,700</u>	<u>30,635,041</u>
(ii) Cost of investments made	<u>31,858,451</u>	<u>29,935,767</u>
(iii) Percentage of investments made	<u>97.05%</u>	<u>97.72%</u>
(iv) Fair value of investments made	<u>32,827,700</u>	<u>30,635,041</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

43.1.1 Break up of the investments is as follows:

	2013 --- Percentage ---	2012	2013 Rupees	2012 Rupees
Special account in a scheduled bank	2.51	5.24	825,542	1,604,391
Government securities	94.07	91.49	30,881,323	28,028,235
Term deposit receipts	3.41	3.27	1,120,835	1,002,415
	100.00	100.00	32,827,700	30,635,041

The figures for year ended June 30, 2013 are based on un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2013 Rupees	2012 Rupees
Sapphire Electric Company Limited		
43.2 The Subsidiary Company operates a recognised Provident Fund (the Fund) for its permanent employees.		
(i) Size of the Fund	5,941,222	5,394,761
(ii) Cost of investments made	3,425,666	4,256,862
(iii) Percentage of investments made	57.66%	78.91%
(iv) Fair value of investments made	3,586,221	4,417,880

43.2.1 Break up of the investments is as follows:

	2013 --- Percentage ---	2012	2013 Rupees	2012 Rupees
Special account in a scheduled bank	11.52	3.70	684,676	199,650
Listed Securities	48.84	78.19	2,901,545	4,218,230
			3,586,221	4,417,880

The figures for year ended June 30, 2013 are based on un-audited financial statements of the Fund. For 2013, investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

44. NUMBER OF EMPLOYEES

	2013	2012
Total number of employees as at June 30,	3,184	3,038
Average number of employees during the year	3,102	2,994

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2013

45. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Parent Company, in their meeting held on October 07, 2013, has proposed a final cash dividend of Rs. 5.00 (2012: Rs.5.00) per share amounting to Rs. 98.438 million (2012: Rs.98.438 million) for the year ended June 30, 2013. This appropriation will be approved by the members of the Parent Company in the forthcoming Annual General Meeting to be held on October 29, 2013. These consolidation financial statements do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending June 30, 2014.

46. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on October 07, 2013 by the Board of Directors of the Company.

47. FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation, the effect of which is not material.

Karachi:
Dated: 07 October , 2013

SHAHID ABDULLAH
CHIEF EXECUTIVE

NADEEM ABDULLAH
DIRECTOR

PROXY FORM

SAPPHIRE FIBRES LIMITED

I/we _____
of _____
a member(s) of **SAPPHIRE FIBRES LIMITED** and a holder of _____ Ordinary Shares,
do hereby appoint _____
of _____
or failing him/her _____
of _____

a member of **SAPPHIRE FIBRES LIMITED**, vide Registered Folio No. _____ as my/our Proxy to act on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday the 29th October, 2013 at 04.30 p.m. at Trading Hall, Cotton Exchange Building, I.I. Chundrigar Road, Karachi and/or any adjournment thereof.

Signed this _____ day of _____, 2013

Signature _____

(Signature should agree with the specimen signature registered with the Company)

NOTICE

1. No proxy shall be valid unless it is duly stamped with a revenue stamp of Rs.5/-
2. In the case of Bank or Company, the proxy form must be executed under its Common seal and signed by its authorized person.
3. Power of attorney or other authority (if any) under which this proxy form is signed then a certified copy of that power of attorney must be deposited along with this proxy form.
4. This form of proxy duly completed must be deposited at the Registered Office of the Company at least 48 hours before the time of holding the meeting.
5. In case of CDC account holder :
 - i) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
 - ii) Attested copies of NIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iii) The proxy shall produce his original NIC or original passport at the time of meeting.
 - iv) In case of corporate entity, the board of directors' resolution/power of attorney with specimen signature of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the company

Witness :

Name	Name
Address	Address
CNIC No.	CNIC No.

