COMPANY PROFILE
BOARD OF DIRECTORS

1. Mian Riaz Ahmed (Chairman)
2. Mr. Kashif Riaz (Chief Executive)
3. Mian Mohammad Ahmad
4. Mr. Shahzad Ahmad
5. Mr. Naveed Ahmad
6. Mr. Imran Ahmad (Resigned 29/8/2013)
7. Mr. Irfan Ahmed
8. Mr. Shafqat Masood
9. Mr. Shahwaiz Ahmed
10. Sheikh Nishat Ahmed (Appointed 29/8/2013)

AUDIT COMMITTEE

1.	Mr. Shahzad Ahmed	(Chairman)
2.	Mr. Naveed Ahmed	(Member)
3.	Mr. Shafqat Masood	(Member)

Human Resource and Remuneration Committee

1.	Mian Mohammad Ahmed	(Chairman)
2.	Mr. Irfan Ahmed	(Member)
3.	Mr. Shahwaiz Ahmed	(Member)

CHIEF FINANCIAL OFFICER
Mr. Shabbir Kausar

CHIEF INTERNAL AUDITOR
Mr. Imran Iftikhar

COMPANY SECRETARY
Mr. Ahmed Faheem Niazi

LEGAL ADVISOR
Mr. Yousuf Naseem
Advocates & Solicitors

REGISTERED OFFICE
5th floor, Office # 508, Beaumont Plaza,
Beaumont Road, Civil Lines Quarters, Karachi

Symbol of the company
SUTM

WEBSITE
http://www.Indus-group.com/web/download.htm

REGISTRAR & SHARE TRANSFER OFFICE
Evolution factor (private) limited
(Formerly Corporate Support Services (Pvt) Ltd.)
407 -408, Al – Ameera Center,
Shahrah-e-Iraq, Saddar Karachi.
Tel. 35662023 – 24
Fax. 35221192

FACTORY LOCATION
Khanpur Shomali Bagga Sher M.M. Road Muzaffar Garh

BANKERS
Muslim Commercial Bank Limited
Allied Bank Limited
Soneri Bank Limited
United Bank Limited
Meezan Bank Limited

AUDITORS
M/s Yousuf Adil Saleem & Company
Chartered Accountants Multan.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 22nd Annual General Meeting of the members of Sunrays Textile Mills Ltd. (the Company) will be held on October 30, 2013 at 06:30 p.m. at **Indus Dyeing & Mfg Co. Ltd.** Plot # 3 & 7, Sector-25, Korangi, Industrial Area, Karachi, to transact the following business:

ORDINARY BUSINESS:

1. To confirm minutes of the 21st Annual General Meeting held on October 31, 2012.

2. To receive and adopt the Annual Audited Accounts of the Company for the financial period ended June 30, 2013 together with Directors' and Auditors' reports thereon.

3. To appoint auditors for the ensuing year, and to fix their remuneration (Messer Yousuf Adil Saleem & Company Chartered Accountants, retire and being eligible have offered themselves for reappointment.)

4. The director have recommended a final cash dividend (2012-2013) Nil but company have already paid interim dividend of 200% (Rs. 20/-per share.)

5. To transact any other business with the permission of the chair.

By order of the Board

Karachi;
Dated; 4-10-2013

Ahmed Faheem Niazi
Company Secretary

Notes:

i) Members are requested to attend in person along with Computerized National Identity Card ("CNIC") or appoint some other member as proxy and send their proxy duly witnessed so as to reach the registered office of the company not later then 48 hours before the time of holding the meeting.

ii) Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his / her original CNIC or passport, Account and participants' I.D. Numbers to prove his / her identity, and in case of proxy, it must enclose an attested copy of his / her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.

iii) Shareholders are requested to immediately notify change in address, if any, to the company's share Registrar. M/s. Corporate Support Services (private) Limited 407 – 408, Al Ameera Centre, Shahrah-e-Iraq, Saddar, Karachi. and also furnish attested photocopy of their CNIC as per Listing Regulations, If not provided earlier.

VISION

To be a most successful company in terms of quality products, services & Financials.

MISSION

To provide quality products & services to our customers and handsome return to the shareholders.

DIRECTOR'S REPORT

Your Directors are pleased to present the 22nd Annual Report on the affairs of the company along with the Audited Financial Statements and Auditor's Report thereon for the year ended June 30,2013.

Financial and operational results

The Company earned pretax profit of Rs.568.332 (M). for the year ended June, 2013.

	Rs. 000
Pre tax profit for the period	568,332
Provision for taxation	(37,065)
Profit after taxation	531,267
Un-appropriated profit brought forward	655,899
Dividend for the year ended June 30, 2012	(69,000)
Interim Dividend for the year ended June 30, 2013	(138,000)
Profit available for appropriations	980,166
Transfer from surplus on revaluation of fixed assets	7,111
Un-appropriated profit carried forward	987,277

The earning per share is Rs. 77.00 (Par value Rs. 10/= per share)

Operational Review

During the period under review the company's performance was excellent.Net sales during the year was Rs.4.386 billion (2012 : Rs.4.156 billion) against total cost of sales of Rs.3.561 billion(2012 : Rs.3.453 billion) giving a gross profit of Rs.824.838 million (2012 :Rs.703.011 million).

The board appointed Mr. Sheikh Nishat Ahmed as Director of company to fill casual vacancy due to resignation Mr. Imran Ahmed.

Dividends

The Company paid 200% cash interim dividend during the year ended june-2013

Present year assessment

During the year under review, raw cotton prices have remained at rational and competitive levels and this combined with strong demand for textile products in both the export and domestic markets has resulted in improving margins and profitability of the industry as a whole. By the Grace of Almighty ALLAH your company performed remarkably well and earned handsome profit. Even with the unfavorable business environment relating to energy crises and worst law and order situation in the country, company has witnessed encouraging results. These heartening financial results were possible with well-focused raw material procurement planning and healthy yarn demand in international market. During the year Rs.24.937 (M) were invested in the fixed assets. This is the part of the company's BMR plan to improve the quality and reduce the manufacturing cost. Retained earning / internal cash flow were used to finance this programme.

Future Outlook

The textile industry is now facing a challenge to meet its global commitments despite of obstacles like worsening law and order situations, energy crisis. Textile industry is striving hard to maintain its performance.

We request the government to exempt the textile industry from gas shut down and should also be brought down prices of utilities to the minimum level in order to compete at international level.

It is important to note that Pakistan has applied for GSP plus status to qualify for the duty free export status to the European Union. This is right time for the government to resolve energy crises immediately which will lift up performance of the textile industry and avail benefit of the market access scheme.

Currently raw cotton prices in local market is around PKR 7,300 to 7,400 per mound. China has emerged as a global producer and consumer of cotton & yarn and is in driving position. Chinese supply & demand and its stockpiling will determine world cotton price .In the current season world cotton production expected to outpace consumption. Under these very difficult challenges, your Management would like to assure you that they are closely monitoring the current market situation and every effort will be made to achieve better results in coming year.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

As required by the Code of Corporate Governance, directors are pleased to report that:

a. The Financial Statement prepared by the Management, present fairly its state of affairs, the result of its operations, Cash Flows and changes in equity;
b. Proper books of accounts have been maintained;
c. Appropriate accounting policies have been consistently applied in preparation of Financial Statements and accounting estimates are based on reasonable and prudent judgement.
d. International Accounting Standards, as applicable in Pakistan have been followed in preparation of Financial Statements.
e. Internal Auditors is continuously reviewing the existing system of internal control and other procedures. The process of review will continue and any weakness in controls will have immediate attention of the management.
f. There are no significant doubts upon the company's ability to continue as a going concern.
g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
h. Key operating and financial data for last six years is annexed.
i. The information about statutory payments on account of taxes, duties and levies is given in the notes to the accounts.
j. During the period under review the trading in shares of the Company by CEO, Directors, Financial Officer, Company Secretary, their spouse and minor children.

	Purchase
1. Mian Muhammad Ahmed	26,689
2. Mian Riaz Ahmed	20,500

k. During the year under review four (4) meetings of the Board of Directors were held. Attendance by each Director is as follows:

Name of Director	Attendance
• Mian Muhammad Ahmed	3
• Mian Riaz Ahmed	3
• Mr. Shahzad Ahmed	4
• Mr. Kashif Riaz	4
• Mr. Naveed Ahmed	4
• Mr. Imran Ahmed	4
• Mr. Irfan Ahmed	3
• Mr. Shafqat Masood	4
• Mr. Shahwaiz Ahmed	4

Pattern of Shareholding

The pattern of shareholding as at June 30, 2013 is annexed.

Web Presence

Annual and periodical financial statement of the company we are also available on the Sunrays Textile Mills Limited website www.indus-group.com/web/download.htm for the information of the shareholders and others.

Auditors

The Messrs M. Yousaf Adil Saleem And Company Chartered Accountants retire at the Annual General Meeting and being eligible, offer themselves for re appointment for the financial year ending June 30, 2014.

Thanks and appreciation

Your Directors feel pleasure in expressing the highly dedicated services rendered by the employees of the Company and wish to convey their thanks to the Company's bankers and financial institutions for their co-operation and support extended to the Company.

Dated: October 04, 2013

FOR AND ON BEHALF OF THE BOARD

Kashif Riaz
CHIEF EXECUTIVE

SIX YEAR KEY OPERATING AND FINANCIAL DATA
FORM 2008 TO 2013
(RUPEES IN 000)

	2013	2012	2011	2010	2009	2008
OPERATING DATA						
Sales	4,385,980	4,156,184	5,185,456	2,968,382	2,197,384	1,889,390
Cost of Goods Sold	3,561,142	3,453,173	4,648,402	2,369,067	1,959,895	1,710,601
Gross Profit	824,838	703,011	537,054	599,315	237,489	178,789
Profit Before Taxation	568,332	481,455	272,684	361,722	73,996	19,696
Profit After Taxation	531,267	442,540	234,689	337,492	52,413	849
FINANCIAL DATA						
Paid Up Capital	69,000	69,000	69,000	69,000	69,000	69,000
Fixed Assets	1,171,202	947,762	883,279	860,828	889,010	918,923
Current Assets	1,502,259	1,510,943	1,240,166	832,088	915,113	1,172,118
Current Liabilites	657,465	657,465	779,495	419,117	742,650	969,474
KEY RATIOS						
Gross Margin	18.81%	16.91%	10.36%	20.19%	10.81%	9.46%
Net Profit	12.11%	10.65%	4.53%	11.37%	2.39%	0.04%
Current Ratio	5.30	2.30	1.59	1.99	1.23	1.21
Earning Per Share(Rupees)	77.00	64.14	34.01	48.91	7.6	0.12
Cash Dividend						
STATISTICS						
Number Of Spindle	34497	34411	33811	32421	32597	32171
Production in to						
20/S Count(in 000 Kgs)	8995	9712	9958	9664	9691	9838

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

The statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the regulation No. 35 of listing regulations of Karachi Stock exchange Ltd., for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.
The Company has applied the principles contained in the CCG in the following manner.

1) At present the Board includes:

Category	Names
Independent Directors	None
Executive Directors	Mian Riaz Ahmed, Mr. Kashif Riaz
Non-Executive Directors	Mr. Shahwaiz Ahmed / Mr. Irfan Ahmed / Mr. Naveed Ahmed / Mr. Imran Ahmed / Mr. Shafqat Masood / Mian Mohammad Ahmed / Mr. Shahzad Ahmed

* Mr. Imran Ahmed has been replaced with Sheikh Nishat Ahmed Appointed on the board subsequent to the year end.

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 which is due in March 2015.

2) The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3) All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a development financial institution or a non-banking financial company, or being a member of a stock exchange, has been declared as defaulter by the stock exchange.

4) No casual vacancy occurred in the board during the year.

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 Company is in process of developing significant policies that will be approved by the board. A complete record of particulars of significant policies along with the dates on which they were approved or amended will be maintained.

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

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

9) The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10) There were no new appointments of CFO, Company Secretary and Head of Internal Audit during the year.
11) The Directors' report for this year has been prepared in compliance with the requirement of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12) The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13) The directors, CEO and executives do not hold any interest in the shares of the Company other than those disclosed in the pattern of shareholdings.
14) The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15) The Board has formed an Audit Committee. It comprises of three members, of whom all are the non-executive directors including Chairman of the Committee. However, there is no Independent Director on Board.
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, which comprises of three members, of whom two are Non-Executive Director and the chairman of the committee is a non-executive director.
18) The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19) The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the 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 the code of etnics as adopted by the Institute of Chartered Accountants of Pakistan.

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

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

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

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

On behalf of the Board of Directors

Kashif Riaz
Chief Executive

Dated: October 04,2013

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the code) prepared by the Board of Directors of Sunrays Textile Mills Limited (the Company) to comply with the respective Listing Regulations of the Karachi Stock Exchange, where the Company is listed.

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

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

Further, the Listing Regulations of Karachi Stock Exchange require the Company to place before the Board of Directors for their consideration and approval of 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 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.

We draw attention to the following paragraphs of the Statement wherein certain non-compliances have been observed:

- Paragraph 6 regarding non-availability of significant policies and maintenance of their records as prescribed in the CCG which is in process.

Chartered Accountants

Engagement Partner
Talat Javed

Place: Multan
Date: October 04, 2013

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Sunrays Textile Mills Limited** ("the Company") as at June 30, 2013 and the related profit and loss account, 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 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, cash flow statement and statement of changes in equity together with the notes forming parts thereof conform with the 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, its cash flows and changes in equity for the year then ended; and

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

Chartered Accountants

Engagement Partner:

Talat Javed

Multan

Date: October 04, 2013

BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,168,860,270	945,419,689
Investment property	5	2,342,055	2,342,055
Long term deposits		435,200	435,200
		1,171,637,525	948,196,944
Current assets			
Stores and spares	6	61,287,766	53,341,784
Stock in trade	7	859,942,192	708,687,580
Trade debts	8	399,650,553	635,068,496
Loans and advances	9	83,355,833	67,557,127
Trade deposits and short term prepayments	10	2,106,288	2,101,627
Sales tax refundable		32,872,438	24,303,910
Income tax refundable		3,677,753	3,677,753
Other receivables		3,160,787	321,985
Cash and bank balances	11	56,205,408	15,882,356
		1,502,259,018	1,510,942,618
Total assets		**2,673,896,543**	**2,459,139,562**
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	12	69,000,000	69,000,000
Reserves	13	753,600,000	753,600,000
Unappropriated profit		987,276,511	655,898,524
		1,809,876,511	1,478,498,524
Surplus on revaluation of property, plant and equipment - net of tax	14	419,464,982	164,226,357
Non-current liabilities			
Long term financing	15	57,133,334	85,343,439
Deferred liabilities	16	75,559,221	54,917,847
		132,692,555	140,261,286
Current liabilities			
Trade and other payables	17	229,124,779	164,358,487
Accrued markup	18	5,363,867	6,212,869
Short term borrowings	19	-	443,705,783
Current portion of non-current liabilities	20	28,210,105	18,688,890
Provision for taxation		49,163,744	43,187,366
		311,862,495	676,153,395
Total equity and liabilities		**2,673,896,543**	**2,459,139,562**
Contingencies and commitments	21		

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive Officer **Director** **Chief Financial Officer**

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

	Note	2013 Rupees	2012 Rupees
Sales - net	22	4,385,980,230	4,156,183,643
Cost of goods sold	23	(3,561,141,844)	(3,453,172,578)
Gross profit		824,838,386	703,011,065
Profit on other operations	24	6,703,833	3,772,876
		831,542,219	706,783,941
Distribution cost	25	(72,424,169)	(68,251,947)
Administrative expenses	26	(82,836,688)	(63,936,833)
Other expenses	27	(58,573,939)	(25,401,683)
Finance cost	28	(49,544,589)	(71,736,582)
Other income	29	169,225	3,997,834
		(263,210,160)	(225,329,211)
Profit before taxation		568,332,059	481,454,730
Taxation	30	(37,065,519)	(38,914,625)
Profit for the year		531,266,540	442,540,105
Other comprehensive income for the year - net of tax		-	-
Total comprehensive income for the year		**531,266,540**	**442,540,105**
Earnings per share - basic and diluted	31	**77.00**	**64.14**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive Officer **Director** **Chief Financial Officer**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

		2013 Rupees	2012 Rupees
A.	***CASH FLOWS FROM OPERATING ACTIVITIES***		
	Profit before taxation	568,332,059	481,454,730
	Adjustments for:		
	Depreciation on property, plant and equipment	85,659,782	83,607,000
	Provision for staff retirement benefits - gratuity	16,560,080	6,821,891
	Gain on sale of property, plant and equipment	-	(222,654)
	Finance cost	49,544,589	71,736,582
	Operating cash flows before changes in working capital	720,096,510	643,397,549
	Changes in working capital		
	(Increase) / decrease in current assets		
	Stores and spares	(7,945,982)	(6,172,307)
	Stock in trade	(151,254,612)	(188,060,451)
	Trade debts	235,417,943	(107,429,949)
	Loans and advances (excluding advance income tax)	(3,145,535)	743,319
	Trade deposits and short term prepayments	(4,661)	4,667,384
	Sales tax refundable	(8,568,528)	10,191,152
	Other receivables	(2,838,802)	1,039,069
	Increase in current liabilities		
	Trade and other payables (excluding unclaimed dividend)	47,071,487	15,983,054
		108,731,310	(269,038,729)
	Cash generated from operations	828,827,820	374,358,820
	Finance cost paid	(50,393,591)	(84,333,042)
	Staff retirement benefits - gratuity paid	(7,292,130)	(5,265,500)
	Income taxes paid	(54,182,392)	(50,065,873)
	Net cash from operating activities	716,959,707	234,694,405
B.	***CASH FLOWS FROM INVESTING ACTIVITIES***		
	Addition to property, plant and equipment	(24,936,787)	(152,676,798)
	Proceeds from disposal of property, plant and equipment	-	4,810,000
	Net cash used in investing activities	(24,936,787)	(147,866,798)
C.	***CASH FLOWS FROM FINANCING ACTIVITIES***		
	Long term financing obtained	-	85,700,000
	Repayment of long term financing	(18,688,890)	(24,500,032)
	Repayment of principal portion of finance lease	-	(23,535,369)
	Short term borrowings - net	(443,705,783)	(117,176,547)
	Dividends paid	(189,305,195)	(20,085,097)
	Net cash used in financing activities	(651,699,868)	(99,597,045)
	Net increase / (decrease) in cash and cash equivalents (A+B+C)	40,323,052	(12,769,438)
	Cash and cash equivalents at beginning of the year	15,882,356	28,651,794
	Cash and cash equivalents at end of the year	**56,205,408**	**15,882,356**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive Officer **Director** **Chief Financial Officer**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2013

	Share capital	Capital reserve	Revenue reserves		Total
		Share premium	General reserve	Unappropriated profit	
Balance as at July 01, 2011	69,000,000	3,600,000	250,000,000	723,272,581	1,045,872,581
Transactions with owners					
Final dividend for the year ended June 30, 2011 @ Rs. 3 per share	-	-	-	(20,700,000)	(20,700,000)
Comprehensive income for the year					
Profit for the year	-	-	-	442,540,105	442,540,105
Other comprehensive income for the year - net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	442,540,105	442,540,105
Transferred to general reserves	-	-	500,000,000	(500,000,000)	-
Transferred to unappropriated profit from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	10,785,838	10,785,838
Balance as at June 30, 2012	69,000,000	3,600,000	750,000,000	655,898,524	1,478,498,524
Transactions with owners					
Final dividend for the year ended June 30, 2012 @ Rs. 10 per share	-	-	-	(69,000,000)	(69,000,000)
Interim dividend for the year ended June 30, 2013 @ Rs. 20 per share	-	-	-	(138,000,000)	(138,000,000)
	-	-	-	(207,000,000)	(207,000,000)
Comprehensive income for the year					
Profit for the year	-	-	-	531,266,540	531,266,540
Other comprehensive income for the year - net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	531,266,540	531,266,540
Transferred to unappropriated profit from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	7,111,447	7,111,447
Balance as at June 30, 2013	**69,000,000**	**3,600,000**	**750,000,000**	**987,276,511**	**1,809,876,511**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive Officer | **Director** | **Chief Financial Officer**

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

1. GENERAL INFORMATION

1.1 Sunrays Textile Mills Limited "the Company" was incorporated in Pakistan on August 27, 1987 as a public limited company under the Companies Ordinance, 1984 and its shares are quoted on the Karachi Stock Exchange. The Company is principally engaged in trade, manufacture and sale of yarn. The Company is also operating a ginning unit and an ice factory on leasing arrangements. The registered office of the Company is situated at Karachi. The mill is located at District Muzaffargarh, Dera Ghazi Khan Division, in the province of Punjab.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These 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 or the directives of the Companies ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except indicated in note 3.1, 3.4 and 3.5.

2.3 Functional and presentation currency

The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of property, plant and equipment, liabilities, income and expenses. The estimate and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, the result of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on the ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised.

- useful life of depreciable assets;
- provision for doubtful receivables;
- provision for current tax and deferred tax;
- revaluation of assets pertaining to freehold land, building on freehold land and plant machinery;
- staff retirement benefits;
- net realisable value of stock-in-trade.

However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in the next year.

2.5 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2013

The following standards, amendments and interpretations are effective for the year ended June 30, 2013. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

Effective from accounting period beginning on or after July 01, 2012

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). 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 differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale 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 amendments require retrospective application.

2.6 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information

Effective from accounting period beginning on or after January 1, 2013

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment

Effective from accounting period beginning on or after January 1, 2013

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

Amendments to IAS 19 - Employee Benefits

Effective from accounting period beginning on or after January 1, 2013

The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions.

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction

Effective from accounting period beginning on or after January 1, 2013

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities

Effective from accounting period beginning on or after January 1, 2014

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities

Effective from accounting period beginning on or after January 1, 2013

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities — ***Effective from accounting period beginning on or after January 1, 2013***

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine — ***Effective from accounting period beginning on or after January 1, 2013***

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non-adoption of IFRS 10 and IFRS 11

3. *SIGNIFICANT ACCOUNTING POLICIES*

3.1 *Staff retirement benefits*

The company operates an unfunded gratuity scheme covering all its employees. The cost of providing benefit is determined using the projected unit credit method, with actuarial valuation. Actuarial gains and losses are recognised immediately as they arise. Past service cost is recognized immediately to the extent that the benefits are already vested. Otherwise it is amortized on a straight line basis over the average period until the amended benefits become vested.

Details of the scheme are given in the note 16.1 to these financial statements.

3.2 *Taxation*

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any. For income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

3.3 ***Dividend distribution***

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

3.4 ***Foreign currencies***

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in profit or loss for the period.

3.5 ***Property, plant and equipment***

Property, plant and equipment except free hold land, building on freehold land, plant and machinery and capital work in progress are stated at cost less accumulated depreciation and accumulated impairment losses.

Free hold land, building on free hold land and plant and machinery is stated at revalued amount being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the balance sheet date. Any revaluation increase arising on the revaluation of such assets is credited in 'Surplus on revaluation of property, plant and equipment'. A decrease in the carrying amount arising on revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the surplus on revaluation account relating to previously revalued assets. To the extent of incremental depreciation charged on revalued assets, the related surplus on revaluation (net of deferred tax) is transferred directly to retained earnings / unappropriated profit.

Depreciation is charged to income applying reducing balance method to write-off the cost over the estimated remaining useful life of assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Rates of depreciation are stated in note 4. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal respectively.

Gains / losses on disposal of operating assets, if any, are recognized in profit and loss account, as and when incurred. Assets are derecognised when disposed or when no future economic benefits are expected from its use or disposal.

Normal repairs and maintenance are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized and assets replaced, if any, other than those kept as stand-by, are retired.

Capital work-in-progress

Capital work-in-progress (CWIP) is stated at cost less any recognized impairment loss. All expenditures connected to the specific assets incurred during installation and construction period are carried under CWIP. These are transferred to specific assets as and when assets are available for use.

3.6 ***Investment property***

Investment property is stated at cost less accumulated depreciation and accumulated impairment losses if any.

Subsequent expenditure relating to investment property is added to carrying amount when it is probable that future economic benefits in excess of originally assessed standard of performance of the existing property will flow to the enterprise.

All other subsequent expenditures are recognized as expense in the period in which they are incurred.

3.7 ***Stores and spares***

These are valued at cost, determined on the basis of moving average cost less allowance for obsolete and slow moving items, except for items in transit which are valued at cost accumulated to the balance sheet date.

3.8 *Stock in trade*

These are valued at lower of cost and net realizable value. Cost is determined by applying the following basis:

Raw material	
- At Mills	Weighted average cost
- In Transit	At cost accumulated to the balance sheet date.
Work in process	Average manufacturing cost
Finished goods	Average cost of goods manufactured
Waste	Net realizable value

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

3.9 *Trade debts and other receivables*

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

3.10 *Financial instruments*

Financial instrument is recognized using trade date accounting basis, when the company becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are initially recognized at nominal value of the consideration paid. Subsequent to initial recognition these are remeasured to fair value except financial assets whose fair value cannot be measured reliably. Any gain or loss is included in current year income.

Financial liabilities

All financial liabilities are initially recognized at nominal value of consideration received. Subsequent to initial recognition, financial liabilities are recognized at fair value, amortized cost or cost as the case may be. Any gain or loss is included in current year income.

3.11 *Off setting of financial instruments*

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

3.12 *Provision*

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event, 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 to the amount of obligation.

3.13 *Impairment*

Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occured after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing a significant financial difficulty, default of delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Non-financial assets

The company assesses at each balance sheet date whether there is any indication that assets except deferred tax 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 loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the carrying amount that would have been determined, had no impairment loss been recognized for assets in prior year. Reversal of impairment loss is recognized as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

3.14 Trade and other payables

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

3.15 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period. Depreciation is charged at the rates stated in note 4.1 applying reducing balance method to write off a cost of the assets over its estimated useful life in view of certainty of ownership of assets at the end of the lease period.

All other leases are classified as operating leases.

Rental Income from operating lease is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognized as expense on a straight-line basis over the lease term.

3.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.
Sales of goods are recognized when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.17 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash and cheques in hand, balances with banks on current and saving and deposit accounts.

3.18 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to income in the period in which these are incurred.

3.19 Government grants

Government grants that compensate the Company for expenses incurred is recognized in the profit and loss account on a systematic basis in the same period in which the expenses are recognized. Government grants are deducted in reporting the related expense.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
		Rupees	
Operating assets	4.1	1,135,969,031	912,528,450
Capital work-in-progress	4.6	32,891,239	32,891,239
		1,168,860,270	945,419,689

4.1 Operating assets

Particulars	Cost / revalued amount					Depreciation				Written down value	Rate
	Opening	Surplus on revaluation	Additions / (disposal)/ transfer *	Revaluation adjustments	Closing	Opening	For the year / (on disposal)/ transfer *	Revaluation adjustments	Closing	As at June 30	
					Rupees						
Owned											
Freehold land	102,708,000	28,539,000	-	-	131,247,000	-	-	-	-	131,247,000	-
Building on freehold land	230,692,122	117,799,177	-	(133,105,299)	215,386,000	122,262,319	10,842,980	(133,105,299)	-	215,386,000	10%
Plant and machinery	1,279,753,903	137,825,399	21,036,287	(687,715,589)	750,900,000	620,278,271	67,437,318	(687,715,589)	-	750,900,000	10%
Electric installations	24,387,315	-	-	-	24,387,315	17,611,944	677,537	-	18,289,481	6,097,834	10%
Factory equipments	1,717,778	-	-	-	1,717,778	1,034,630	68,315	-	1,102,945	614,833	10%
Office equipments	4,708,546	-	-	-	4,708,546	2,797,428	191,112	-	2,988,540	1,720,006	10%
Electric appliances	3,251,021	-	123,000	-	3,374,021	1,741,369	156,848	-	1,898,217	1,475,804	10%
Furniture and fittings	6,977,324	-	-	-	6,977,324	4,012,928	296,440	-	4,309,368	2,667,956	10%
Vehicles	57,546,869	-	3,777,500	-	61,324,369	29,475,539	5,989,232	-	35,464,771	25,859,598	20%
2013	**1,711,742,878**	**284,163,576**	**24,936,787**	**(820,820,888)**	**1,200,022,353**	**799,214,428**	**85,659,782**	**(820,820,888)**	**64,053,322**	**1,135,969,031**	
Owned											
Freehold land	102,708,000	-	-	-	102,708,000	-	-	-	-	102,708,000	-
Building on freehold land	218,524,771	-	12,167,351	-	230,692,122	111,142,063	11,120,256	-	122,262,319	108,429,803	10%
Plant and machinery	1,110,362,815	-	123,936,148	-	1,279,753,903	549,939,302	61,307,234	-	620,278,271	659,475,632	10%
			(21,372,604)				(17,057,228)				
			66,827,544				26,088,963				
Electric installations	24,387,315	-	-	-	24,387,315	16,859,126	752,818	-	17,611,944	6,775,371	10%
Factory equipments	1,717,778	-	-	-	1,717,778	958,726	75,904	-	1,034,630	683,148	10%
Office equipments	4,708,546	-	-	-	4,708,546	2,585,081	212,347	-	2,797,428	1,911,118	10%
Electric appliances	3,074,978	-	176,043	-	3,251,021	1,589,930	151,439	-	1,741,369	1,509,652	10%
Furniture and fittings	6,977,324	-	-	-	6,977,324	3,683,552	329,376	-	4,012,928	2,964,396	10%
Vehicles	42,759,933	-	18,077,400	-	57,546,869	27,362,916	5,131,117	-	29,475,539	28,071,330	20%
			(3,290,464)				(3,018,494)				
	1,515,221,460	-	154,356,942	-	1,711,742,878	714,120,696	79,080,491	-	799,214,428	912,528,450	
			(24,663,068)				(20,075,722)				
			66,827,544				26,088,963				
Leased											
Plant and machinery	66,827,544	-	(66,827,544)	-	-	21,562,454	4,526,509	-	-	-	10%
							(26,088,963)				
2012	**1,582,049,004**	-	**154,356,942**	-	**1,711,742,878**	**735,683,150**	**83,607,000**	-	**799,214,428**	**912,528,450**	
			(24,663,068)				**(20,075,722)**				

* Transferred from leased assets to owned assets on completion of lease term.

	Note	2013	2012
		----------- Rupees ---------	

4.2 Depreciation for the year has been allocated as under:

	Note	2013	2012
Cost of goods sold	23	79,026,150	77,782,721
Administrative expense	26	6,633,632	5,824,279
		85,659,782	**83,607,000**

4.3 Revaluation of freehold land, building on freehold land and plant and machinery was carried out as on September 30, 1996 and June 30, 2007 by an independent valuer M/s. Iqbal A. Nanjee & Company, Lahore on the basis of depreciated replacement values. Revaluation surplus has been credited to surplus on revaluation of property, plant and equipment.

Further, The Company has its freehold land, building on freehold land and plant and machinery revalued on June 30, 2013 by K.G. Traders (Private) Limited, independent valuers not connected with the Company. The bases used for the revaluation of these assets were as follows:

Freehold land

Fair market value of the land was assessed through inquiries in the vicinity of land, recent market deals and information obtained through estate agents and property dealers of the area.

Building on freehold land

Fair market value of the building was assessed mainly through new construction value, depreciation cost factors, state of infrastructure, current trends in prices of real estate in the vicinity and information obtained through estate agents, builders and developers.

Plant and machinery

Fair market value of the plant and machinery was assessed through inquiries of local authorised dealers who deal in old and new similar type of plant and machineries. Replacement value was then ascertained from competitive rates of the plant and machinery and thereafter, an average depreciation factor was applied on the replacement value of the plant and machinery.

4.4 Had there been no revaluation the related figures of freehold land, building on freehold land and plant and machinery as at the balance sheet date would have been as follows:

	2013	2012
Freehold land	41,038,562	41,038,562
Building on freehold land	63,533,915	70,678,124
Plant and machinery	542,777,410	581,282,757
	647,349,887	**692,999,443**

4.5 There are no disposals of property, plant and equipment during the year 2013.

The aggregate disposals during the year 2012 were as follows:

	2013	2012
Sale proceeds	-	4,810,000
Cost / revalued amount	-	24,663,068
Less: Accumulated depreciation	-	(20,075,722)
Written down value	-	4,587,346
Gain on disposal	-	**222,654**

4.6 ***Capital work-in-progress***

	Note	2013	2012
Electricity connection		32,891,239	32,891,239
	4.6.1	**32,891,239**	**32,891,239**

4.6.1 ***Movement in capital work in progress***

	2013	2012
Opening balance	32,891,239	34,571,383
Addition during the year	-	1,122,572
Transfer to operating assets	-	(2,802,716)
Closing balance	**32,891,239**	**32,891,239**

5. *INVESTMENT PROPERTY*

Investment property comprise of land held by the Company for capital appreciation purposes, and is not currently in use by the Company for business purposes. The fair value of land approximates the carrying amount at the year end.

	Note	2013	2012
		------------ Rupees ---------	
6. STORES AND SPARES			
Stores		39,292,932	44,674,297
Spares		17,836,607	8,667,487
		57,129,539	53,341,784
Stores in-transit		4,158,227	-
		61,287,766	**53,341,784**

6.1 The Company does not hold any stores and spares for specific capitalization.

	Note	2013	2012
7. STOCK-IN-TRADE			
Raw material		705,500,857	407,075,564
Raw material in-transit		78,764,885	198,645,775
Work in process		27,665,361	27,765,267
Finished goods			
- Spinning unit		33,820,419	47,757,401
- Ginning factory		4,403,541	21,765,973
		38,223,960	69,523,374
Waste		9,787,129	5,677,600
		859,942,192	**708,687,580**
8. TRADE DEBTS			
Foreign - secured and considered good		348,392,286	598,230,848
Local - unsecured			
Considered good	8.1	51,258,267	36,837,648
Considered doubtful		1,410,080	1,410,080
		52,668,347	38,247,728
Provision for doubtful trade debts		(1,410,080)	(1,410,080)
		399,650,553	**635,068,496**

8.1 It includes due from associated undertakings relating to sale of yarn in normal course of business. Detail of balances due is as follows:

Indus Home Limited	88,000	57,600
Indus Dyeing & Manufacturing Co. Limited	719,730	10,951,411
Haji Maula Bakhsh Cotton Factory	-	44,380
	807,730	**11,053,391**

8.2 Trade debts are non-interest bearing and are generally on 60 to 90 days credit terms.

8.3 Trade debts consist of a large number of diversified customers. Ongoing credit evaluation is performed on the financial condition of trade debts. The fair vale of trade debts approximate their carrying amounts.

8.4 The Company provides for doubtful trade debts on the basis of past due balances. Balances considered bad and irrecoverable are written off when identified.

8.5 The aging of past due trade debts is as follows:

Past due for more than 03 months but less than 01 year	96,758	390,130
Past due for more than 01 year but less than 02 years	3,210	241,553
Past due for more than 02 years but less than 03 years	241,553	-
Past due for more than 03 years	1,165,317	1,165,317
	1,506,838	**1,797,000**

	Note	2013	2012
		------------ Rupees ----------	
9. *LOANS AND ADVANCES*			
Considered good			
Due from employees		7,131,590	7,158,967
Advances :			
Income tax		61,667,817	49,014,646
To suppliers / services		11,130,153	2,738,259
To contractor		139,454	136,912
L/C margin and expenses		3,286,819	8,508,343
		83,355,833	**67,557,127**
10. *TRADE DEPOSITS AND SHORT TERM PREPAYMENTS*			
Security deposits		111,200	111,200
Bank guarantee margin		1,794,410	1,794,410
Prepayments		200,678	196,017
		2,106,288	**2,101,627**
11. *CASH AND BANK BALANCES*			
Cash in hand		1,401,858	1,197,765
Cash with banks			
- Current accounts		51,701,409	12,573,998
- Term deposit receipt	11.1	3,081,479	2,081,479
- Saving accounts	11.1	20,662	29,114
		54,803,550	14,684,591
		56,205,408	**15,882,356**

11.1 Effective mark-up rate in respect of saving and deposit accounts ranges from 7.00% to 10.00% (2012: 7.00% to 11.00%) per annum.

12. *SHARE CAPITAL*

2013	2012		2013	2012
--------- Numbers	---------		------------ Rupees	----------
Authorised				
10,000,000	10,000,000	Ordinary shares of Rs. 10 each	**100,000,000**	**100,000,000**
Issued, subscribed and paid up				
6,900,000	6,900,000	Ordinary shares of Rs. 10 each fully paid in cash	**69,000,000**	**69,000,000**

13. *RESERVES*

	2013	2012
Capital		
Share premium	3,600,000	3,600,000
Revenue		
General reserve	750,000,000	750,000,000
	753,600,000	**753,600,000**

	Note	2013	2012
		----------- Rupees ---------	

14. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX

14.1 Surplus on revaluation of property, plant and equipment

	Note	2013	2012
Opening balance		177,613,992	188,399,831
Transferred to unappropriated profit on account of :			
Incremental depreciation - net of deferred tax		(7,111,447)	(5,301,464)
Related deferred tax liability		(4,483,009)	(5,484,375)
Effect of revaluation of property, plant and equipment carried out at year end		284,163,576	-
		272,569,120	(10,785,839)
Closing balance		450,183,112	177,613,992
Related deferred tax liability			
Opening balance		(13,387,635)	(18,872,010)
Transferred to unappropriated profit on account of			
Incremental depreciation - net of deferred tax		4,483,009	5,484,375
Effect of revaluation of property, plant and equipment carried out at year end		(21,813,504)	-
Closing balance		(30,718,130)	(13,387,635)
		419,464,982	**164,226,357**

15. LONG TERM FINANCING

From banking companies

	Note	2013	2012
MCB Bank Limited			
- Demand finance - I	15.1	76,177,778	85,700,000
Soneri Bank Limited			
- Term finance - I	15.2	9,165,661	18,332,329
		85,343,439	104,032,329
Less:			
Current portion shown under current liabilities	20	28,210,105	18,688,890
		57,133,334	**85,343,439**

15.1 MCB Bank Limited - Demand finance - I

This finance has been obtained to finance textile machinery imported through MCB bank limited for BMR and is secured against already registered pari passu hypothecation/equitable mortgage charge of Rs. 115 million over current and fixed assets of the Company including land measuring 90 Kanals and 10 Marlas and personal guarantees of all the directors of the Company. The loan is repayable in 09 equal half yearly installments starting from February 28, 2013 where as 08 installments remain outstanding at June 30, 2013. It carries mark-up at the rate of 6 month KIBOR + 2.00 % per annum.

15.2 Soneri Bank Limited - Term finance - I

This finance of Rs.11.5 million was obtained to finance BMR and is secured against first pari passu charge over the fixed assets of the Company amounting to Rs.76 million. It carries mark up at the rate of 3 month KIBOR + 1.25% per annum. The loan is repayable in 24 equal quarterly installments of Rs. 2.29 million each by August 31, 2014 where as all of the installments remain outstanding at June 30, 2013.

15.3 Management considers that there is no non-compliance of agreements with financial institutions, where the Company could be exposed to further penalties.

16. DEFERRED LIABILITIES

	Note	2013	2012
		Rupees	
Staff retirement benefits - gratuity	16.1	25,840,066	16,572,116
Deferred taxation	16.2	49,719,155	38,345,731
		75,559,221	**54,917,847**

16.1 Provision for gratuity

	2013	2012
Liability recognised in the balance sheet		
Present value of defined benefit obligation	25,840,066	16,572,116
Unrecognised actuarial loss	-	-
	25,840,066	**16,572,116**
Movement in the net liability		
Opening balance	16,572,116	15,015,725
Charge for the year	16,560,080	6,821,891
Payment made during the year	(7,292,130)	(5,265,500)
Provision for gratuity	**25,840,066**	**16,572,116**
Changes in present value of defined benefit obligation		
Opening defined benefit obligation	16,572,116	15,015,725
Current service cost	4,655,249	4,719,689
Interest cost	2,320,096	2,102,202
Actuarial loss recognised	9,584,735	-
Benefits paid	(7,292,130)	(5,265,500)
	25,840,066	**16,572,116**
Charge for the year		
Current service cost	4,655,249	4,719,689
Interest cost	2,320,096	2,102,202
Actuarial loss recognised	9,584,735	-
	16,560,080	**6,821,891**

Actuarial valuation is carried out as at June 30, 2013 by Nauman Associates using Projected Unit Credit Method, the following significant assumptions have been used for valuation of defined benefit obligation of the Company:

	2013	2012
Discount rate	10.50%	14%
Expected rate of salary increase in future years	9.50%	13%
Average expected remaining working life time of employees	6 years	5 years

Mortality rate was based on the EFU 61-66 mortality table.

Amounts of the current and previous four years and experience adjustments on defined benefit obligation are as follows :

	2013	2012	2011	2010	2009
	Rupees				
Present value of defined benefit obligation	25,840,066	15,015,725	6,457,016	7,801,868	9,158,341
Fair value of plan assets	-	-	-	-	-
Deficit	**25,840,066**	**15,015,725**	**6,457,016**	**7,801,868**	**9,158,341**
Actuarial loss on defined benefit obligation	**9,584,735**	-	**183,167**	**183,167**	-

	2013	2012
	----------- Rupees ---------	
16.2 Deferred taxation		
The deferred taxation comprises of:		
Taxable temporary differences on :		
Surplus on revaluation of property, plant and equipment	30,718,130	13,387,635
Accelerated tax depreciation on property, plant and equipment and finance lease	21,206,065	26,861,769
	51,924,195	40,249,404
Deductible temporary differences on:		
Provision for staff retirement benefits - gratuity	(2,205,040)	(1,903,673)
	49,719,155	**38,345,731**

16.3 Movement in temporary differences during the year

	As at July 01, 2012	*Recognised in equity*	*Recognised in profit and loss*	*As at June 30, 2013*
	----------------- Rupees -----------------			
Deferred tax credits				
Surplus on revaluation of property, plant and equipment	13,387,635	21,813,504	(4,483,009)	30,718,130
Accelerated tax depreciation	26,861,769	-	(5,655,704)	21,206,065
Deferred tax debits				
Provision for gratuity	(1,903,673)	-	(301,367)	(2,205,040)
June 30, 2013	**38,345,731**	**21,813,504**	**(10,440,080)**	**49,719,155**

	As at July 01, 2011	*Recognised in equity*	*Recognised in profit and loss*	*As at June 30, 2012*
	----------------- Rupees -----------------			
Deferred tax credits				
Surplus on revaluation of property, plant and equipment	18,872,010	(5,484,375)	-	13,387,635
Accelerated tax depreciation	30,966,451	-	(4,104,682)	26,861,769
Deferred tax debits				
Provision for gratuity	(2,236,063)	-	332,390	(1,903,673)
June 30, 2012	**47,602,398**	**(5,484,375)**	**(3,772,292)**	**38,345,731**

17. TRADE AND OTHER PAYABLES

		2013	2012
Creditors		65,534,966	58,801,198
Accrued liabilities		75,184,725	57,162,954
Workers' Profit Participation Fund	17.1	31,584,742	25,401,683
Workers' Welfare Fund		27,347,191	9,987,089
Advance from customers		3,381,184	7,765,624
Dividend payable		22,041,964	4,347,159
Due to employees		409,927	371,048
Due to associated undertakings	17.2	657,631	-
Income tax deducted at source		199,436	285,270
Sales tax deducted at source		726,913	126,869
Due to directors		2,056,100	109,593
		229,124,779	**164,358,487**

	Note	2013	2012
		---------- Rupees ---------	
17.1 Workers' Profit Participation Fund			
Opening balance		25,401,683	14,471,016
Interest on funds utilized in the Company's business	28	4,788,842	1,177,239
		30,190,525	15,648,255
Payment to the fund		(30,190,525)	(15,648,255)
		-	-
Allocation for the year	27	31,584,742	25,401,683
Closing balance		**31,584,742**	**25,401,683**
17.2 Due to associated undertakings			
On account of trading activities			
Indus Dyeing & Manufacturing Co. Limited		19,400	-
Gellawala Cotton Company Limited		95,841	-
Silver Seeds (Pvt) Limited		375,000	-
Embee Industries (Pvt) Limited		167,390	-
		657,631	**-**

18. ACCRUED MARKUP

		2013	2012
Accrued mark-up on:			
- Long term financing		2,477,006	3,705,877
- Short term borrowings		2,886,861	2,506,992
		5,363,867	**6,212,869**

19. SHORT TERM BORROWINGS

		2013	2012
Secured - under markup arrangements			
Cash finances (CF)		-	74,424,965
Running finances (RF)		-	88,810,082
Finance Exchange - 25		-	280,337,192
Book overdraft		-	133,544
		-	**443,705,783**

19.1 Short term facilities available from commercial banks under mark up arrangements amounts to Rs. 4,800 million (2012: Rs. 1,445 million) of which facilities aggregating to Rs. 4,800 million (2012: Rs. 901 million) remained unutilized at the year end. The rate of mark up ranges from 10.02% to 14.10% per annum (2012: 12.54% to 15.66% per annum) payable on quarterly basis. These finances are secured against pledge of raw material and finished goods, hypothecation of store and spares and charge on fixed and floating assets of the Company.

20. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2013	2012
Long term financing	15	28,210,105	18,688,890
		28,210,105	**18,688,890**

21. CONTINGENCIES AND COMMITMENTS

		Note	2013	2012
Contingencies				
Bank guarantees		21.1	36,663,713	32,163,713
Foreign bills discounted			422,991,298	342,088,500
Inland bills discounted			-	24,564,847
			459,655,011	**398,817,060**
21.1 Bank guarantees				
In favour of	***Bank***			
Sui Northern Gas Pipelines Limited	MCB Bank Limited		23,203,246	23,203,246
Excise and taxation	Soneri Bank Limited		13,185,915	8,685,915
CCI & E	Habib Bank Limited		274,552	274,552
			36,663,713	**32,163,713**
Commitments				
Under letters of credit for:				
- Property, plant and equipment			-	7,846,000
- Stores and spares			3,509,604	-
			3,509,604	**7,846,000**

	Note	2013	2012
		----------- Rupees ---------	
22. *SALES - net*			
Exports			
Direct		3,323,605,586	2,854,960,472
Indirect		194,200,800	530,757,265
Waste		32,678,910	28,114,004
		3,550,485,296	3,413,831,741
Local			
Yarn		802,126,746	671,375,403
Doubling		12,801,921	3,786,697
Waste		60,564,905	116,260,982
		875,493,572	791,423,082
Less:			
Commission		(39,998,638)	(49,071,180)
		4,385,980,230	**4,156,183,643**
23. *COST OF GOODS SOLD*			
Raw material consumed	23.1	2,778,060,320	2,814,457,390
Power and fuel		282,565,354	231,878,424
Salaries, wages and benefits	23.2	160,850,728	143,750,745
Depreciation	4.2	79,026,150	77,782,721
Packing material consumed		56,811,169	58,484,199
Stores and spares consumed		46,797,630	53,315,233
Repairs and maintenance		7,448,882	6,341,953
Insurance		3,965,236	4,430,984
Others		1,107,756	909,956
		3,416,633,225	3,391,351,605
Work in process			
Opening stock		27,765,267	30,680,302
Closing stock		(27,665,361)	(27,765,267)
		99,906	2,915,035
Cost of goods manufactured		3,416,733,131	3,394,266,640
Finished goods			
Opening stock		53,435,001	60,825,404
Purchase of finished goods		134,581,260	51,515,535
Closing stock		(43,607,548)	(53,435,001)
		144,408,713	58,905,938
		3,561,141,844	**3,453,172,578**
23.1 Raw material consumed			
Opening stock		407,075,564	419,314,057
Purchases including purchase expenses		2,661,014,324	2,455,544,491
Transferred from ginning unit		415,471,289	346,674,406
		3,483,561,177	3,221,532,954
Closing stock		(705,500,857)	(407,075,564)
		2,778,060,320	**2,814,457,390**

23.2 It includes Rs. 13.90 million (2012 : Rs. 5.73 million) in respect of staff retirement benefits - gratuity.

	Note	2013	2012
		------------ Rupees ----------	
24. *PROFIT ON OTHER OPERATIONS*			
Profit on ice factory	24.1	6,703,833	3,725,401
Profit on ginning factory	24.2	-	47,475
		6,703,833	**3,772,876**
24.1 Profit on ice factory			
Sales - net		25,311,505	16,828,522
Cost of goods sold		(17,639,634)	(12,583,867)
Gross profit		7,671,871	4,244,655
Administrative expenses		(968,038)	(519,254)
		6,703,833	**3,725,401**
24.2 Profit on ginning factory			
Transferred to spinning operations		415,471,288	346,674,406
Sales - net		-	4,746,651
		415,471,288	351,421,057
Cost of goods transferred / sold (ginning)	24.2.1	(403,804,958)	(346,157,980)
Gross profit		11,666,330	5,263,077
Administrative expenses		(11,660,141)	(5,208,260)
Bank charges		(6,189)	(7,342)
		(11,666,330)	(5,215,602)
		-	**47,475**

	Note	2013	2012
		----------- Rupees ---------	
24.2.1 Cost of goods transferred / sold (ginning)			
Opening stock		21,765,973	9,807,366
Cost of ginning and oil		386,442,526	358,116,587
Closing stock		(4,403,541)	(21,765,973)
		403,804,958	**346,157,980**

		2013	2012
25. *DISTRIBUTION COST*			
Export development surcharge		7,765,841	7,777,971
Ocean freight		27,071,982	24,222,065
Forwarding expenses		12,473,047	11,537,005
Local freight		24,682,126	24,131,292
Others		431,173	583,614
		72,424,169	**68,251,947**

	Note	2013	2012
		------------ Rupees ----------	
26. *ADMINISTRATIVE EXPENSES*			
Salaries, wages and benefits	26.1	34,396,256	25,944,351
Director's remuneration		14,400,000	7,200,000
Depreciation	4.2	6,633,632	5,824,279
Vehicle running and maintenance		5,045,770	4,823,256
Travelling and conveyance		5,815,850	4,429,564
Postage, telephone and fax		2,780,207	2,919,456
Electricity, gas & fuel		2,344,711	2,228,350
Gardening		(263,151)	1,718,774
Printing and stationery		1,350,527	1,595,388
Auditors' remuneration	26.2	1,150,000	1,150,000
Rent, rates and taxes		3,741,604	1,467,588
Donations	26.3	768,060	862,590
Insurance		856,386	788,432
Fees, subscription and periodicals		988,511	775,629
Entertainment		1,019,072	687,191
Repairs and maintenance		793,027	527,071
Legal and professional charges		396,899	251,809
Others		619,327	743,105
		82,836,688	**63,936,833**

26.1 It includes Rs. 2.65 million (2012: Rs. 1.09 million) in respect of staff retirement benefits - gratuity.

26.2 Auditors' remuneration

	2013	2012
Statutory audit	1,000,000	1,000,000
Review of compliance with Code of Corporate Governance	50,000	50,000
Half year review	100,000	100,000
	1,150,000	**1,150,000**

26.3 None of the directors or his / her spouse has any interest in the donee's fund.

	Note	2013	2012
27. *OTHER EXPENSES*			
Workers' Profit Participation Fund	17.1	31,584,742	25,401,683
Workers' Welfare Fund		26,989,197	-
		58,573,939	**25,401,683**
28. *FINANCE COST*			
Interest / markup on:			
Long term financing		10,797,754	8,291,855
Liabilities against assets subject to finance lease		-	1,625,632
Short term borrowings		30,248,639	56,939,052
Interest on Worker's Profit Participation Fund	17.1	4,788,842	1,177,239
Bank charges and commission		3,709,354	3,702,804
		49,544,589	**71,736,582**
29. *OTHER INCOME*			
Income from financial assets			
Interest / profit on bank deposits		169,225	3,775,180
Income from non financial assets			
Gain on sale of property, plant and equipment	4.5	-	222,654
		169,225	**3,997,834**

	Note	2013	2012
		------------ Rupees ----------	
30. TAXATION			
Current year:			
Current		49,218,193	42,686,917
Deferred		(10,440,080)	(3,772,292)
		38,778,113	38,914,625
Prior year:			
Current		(1,712,594)	-
		37,065,519	**38,914,625**

30.1 Relationship between tax expense and accounting profit

	2013	2012
Accounting profit	568,332,059	481,454,730
Tax @ 35%	198,916,221	168,509,156
Effect of:		
Income subject to Final Tax Regime	(160,138,108)	(129,594,531)
Income tax for prior year	(1,712,594)	-
	37,065,519	**38,914,625**

31. EARNINGS PER SHARE - BASIC AND DILUTED

		2013	2012
Profit after tax	Rupees	531,266,540	442,540,105
Weighted average number of ordinary shares outstanding during the year	Numbers	6,900,000	6,900,000
Earnings per share - basic and diluted	Rupees	**77.00**	**64.14**

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

32. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTOR

	Director	Chief executive officer	Executives
2013	----------	Rupees	----------
Remuneration	6,480,000	6,480,000	7,479,457
House rent	720,000	720,000	821,918
Conveyance - cars	618,616	687,714	739,727
	7,818,616	7,887,714	9,041,102
Number of persons	1	1	13
2012			
Remuneration	1,320,000	3,240,000	3,413,941
House rent	1,080,000	360,000	375,158
Conveyance - cars	335,392	673,142	337,643
	2,735,392	4,273,142	4,126,742
Number of persons	1	1	13

32.1 Chief Executive Officer and a director are also entitled to free use of the Company maintained cars.

33. *FINANCIAL INSTRUMENTS*

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

Credit risk

Liquidity risk

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. Further quantitative disclosures are included throughout these financial statements.

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

33.2 *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from deposits, trade debts, loans and advances, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2013	2012
	----------- Rupees	----------
Long term deposits	435,200	435,200
Trade debts - net of provision	399,650,553	635,068,496
Loans and advances	7,131,590	7,158,967
Trade deposits and other receivables	5,066,397	2,227,595
Bank balances	54,803,550	14,684,591
	467,087,290	**659,574,849**

The Company's credit risk exposures are categorized under the following headings:

Counterparties

The Company conducts transactions with the following major counterparties:

Trade debtors

Banks and other financial institutions

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

33.2.1 *Credit risk related to trade debtors*

Trade debts are essentially due from local and foreign customers against sale of yarn and waste material and the Company does not expect these counterparties to fail to meet their obligations. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed subject to established policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and any shipments to foreign customers are generally covered by letters of credit.
Trade receivables are non-interest bearing and are generally on 60 to 90 days credit terms.

Impairment losses

The aging of trade debts at the reporting date was:

	2013		2012	
	Gross	***Impairment***	***Gross***	***Impairment***
	-----	***Rupees***	-----	
Not yet due	399,553,795	-	634,681,576	-
Past due for:				
- more than 03 months but less than 01 year	96,758	-	390,130	3,210
- more than 01 year but less than 02 years	3,210	3,210	241,553	241,553
- more than 02 years but less than 03 years	241,553	241,553	-	-
- more than 03 years	1,165,317	1,165,317	1,165,317	1,165,317
	401,060,633	**1,410,080**	**636,478,576**	**1,410,080**

Trade debts include debtors with a carrying amount of Rs. 0.10 million (2012: Rs 0.39 million) which are past due at the reporting date but not impaired as there has not been a significant change in credit quality and the amounts are still considered reco

Concentration of credit risk

Trade debts consist of a large number of diversified customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable where appropriate. The Company does not have any significant credit

33.2.2 Credit risk related to banks and other financial institutions

Credit risk on balances with banks is managed by management in accordance with the Company's policy. Excess funds are placed in deposits with reputable banks and financial institutions.

33.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debto

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. At June 30, 2013, 33.05% of the Company's debt will mature in less than one year (2012: 17.96%) based on the

33.3.1 *Liquidity risk table*

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

Particulars	*Less than 1 month*	*1 - 3 months*	*3 months - 1 years*	*1 - 5 years*	*More than 5 years*	*Total*
	---------- Rupees ----------					
Long term financing	-	-	28,210,105	57,133,334	-	85,343,439
Short term borrowings	-	-	-	-	-	-
Trade and other payables	-	-	224,817,246	-	-	224,817,246
Accrued markup	5,363,867	-	-	-	-	5,363,867
2013	**5,363,867**	-	**253,027,351**	**57,133,334**	-	**315,524,552**
Long term financing	-	-	18,688,890	85,343,439	-	104,032,329
Short term borrowings	-	-	443,705,783	-	-	443,705,783
Trade and other payables	-	-	156,180,724	-	-	156,180,724
Accrued markup	6,212,869	-	-	-	-	6,212,869
2012	**6,212,869**	-	**618,575,397**	**85,343,439**	-	**710,131,705**

	2013	*2012*
	---- Rupees ----	
Off balance sheets items		
Letters of credit	3,509,604	7,846,000
Bank guarantees	36,663,713	32,163,713
Foreign bills discounted	422,991,298	342,088,500
Inland bills discounted	-	24,564,847
Off balance sheet gap	**463,164,615**	**406,663,060**

33.4 Market risk

Market risk is the risk that changes in market prices, 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 optimizing returns.

33.4.1 Currency risk

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

Exposure to currency risk

The Company is exposed to currency risk on trade debts which are denominated in currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2013		2012	
	Rupees	US Dollar	Rupees	US Dollar
Trade debts	348,392,286	3,528,023	598,230,848	6,340,699
	348,392,286	**3,528,023**	**598,230,848**	**6,340,699**

The following US Dollar exchange rates were applied during the year:

	2013	2012
	------------ Rupees	----------
Average rate	95.72	89.44
Balance sheet date rate	98.75	94.30

Sensitivity analysis - foreign currency

At June 30, 2013, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, Profit for the year would have been lower / higher by Rs. 34.84 million (2012: Rs. 31.78 million), as a result of foreign exchange gains / losses on translation of foreign currency trade debts. Profit / (loss) is more sensitive to movement in Rupee / foreign currency exchange rates in 2013 than 2012 because of increase in foreign currency exchange rate.

33.4.2 Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will effect the value of financial instruments. The Company has significant amount of interest based financial assets and financial liabilities which are largely based on variable interest / mark-up rates, therefore the Company has to manage the related finance cost which exposes it to the risk of 3 months and 6 months KIBOR. Since the impact on interest rate exposure is significant to the Company, management is considering the alternative arrangement to manage interest rate exposure in future.

	2013		2012	
	Effective Interest Rate	Rupees	Effective Interest Rate	Rupees
Fixed rate instruments				
Financial assets:				
- Deposit Accounts	7.00% - 10.00%	3,102,141	7.00% - 11.00%	2,110,593
Variable rate instruments				
Financial liabilities:				
- Long term financing	10.53% - 13.93%	85,343,439	7.00% - 14.79%	104,032,329
- Short term borrowings	-	-	12.54% - 15.66%	443,705,783
		88,445,580		549,848,705

Sensitivity analysis - interest rate

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Company's profit / loss for the year ended June 30, 2013 would decrease / increase by Rs. 0.85 million (2012: Rs. 5.54 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate financial instruments.

33.4.3 ***Other price risk***

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to 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 is not materially exposed to other price risk on financial assets and liabilities.

33.5 ***Fair values***

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

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

33.5.1 ***Fair value hierarchy***

Following are three levels in fair value hierarchy that reflects the significance of the inputs used in measurement of fair values of financial instruments.

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

The Company does not have financial instruments to be classified in above mentioned levels.

33.6 ***Financial instruments by category***

The Company finance its operations through equity, borrowings and management of working capital with a view to maintaining an approximate mix between various sources of finance to minimise risk. Taken as a whole, the Company's risk arising from financial instruments is limited as there is no significant to price and cash flow risk in respect of such instruments.

The accounting policies for financial instruments have been applied for line items as below:

	2013	2012
	--------- Rupees ---------	
Assets categorized as loan and receivables		
Long term deposits	435,200	435,200
Trade debts - net of provision	399,650,553	635,068,496
Loans and advances	7,131,590	7,158,967
Trade deposits and other receivables	5,066,397	2,227,595
Cash and bank balances	56,205,408	15,882,356
	468,489,148	**660,772,614**
Liabilities carried at amortized cost		
Long term finances	85,343,439	104,032,329
Trade and other payables	224,817,246	156,180,724
Short term borrowings	-	443,705,783
Accrued markup	5,363,867	6,212,869
	315,524,552	**710,131,705**

34. CAPITAL MANAGEMENT

The Company objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Capital comprises all components of equity (i.e. share capital, reserves and unappropriated profit). The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders or issue new shares.

The debt-to-adjusted capital ratios at June 30, 2013 and June 30, 2012 were as follows:

	2013	*2012*
	------------ *Rupees* ----------	
Total debt	85,343,439	547,738,112
Less: Cash and cash equivalents	(56,205,408)	(15,882,356)
Net debt	29,138,031	531,855,756
Total equity	1,809,876,511	1,478,498,524
Adjusted capital	**1,839,014,542**	**2,010,354,280**
Debt-to-adjusted capital ratio	**1.58%**	**26.46%**

35. *AGGREGATE TRANSACTIONS WITH RELATED PARTIES*

The related parties comprise associated undertakings, other related group companies, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under trade debts (note 8), trade and other payables (note 17) and remuneration of Chief Executive Officer and director (note 32). Other significant transactions with related parties are as follows:

	2013	*2012*
	------------ *Rupees* ----------	
Transactions with associated undertakings		
Sale of goods and services	25,871,315	87,251,076
Purchase of goods and services	-	6,445,235

All transactions with related parties have been carried out on commercial terms and conditions.

36. *PLANT CAPACITY AND PRODUCTION*

	2013	*2012*
Number of spindles installed	35,328	35,328
Number of spindles worked	34,497	34,411
Number of shifts/ day	3	3
Installed capacity after conversion into 20/s count KGs	12,063,655	12,063,655
Actual production of yarn after conversion into 20/s count KGs	8,995,462	9,712,122

Reasons for short fall

It is difficult to describe precisely the production capacity in spinning unit since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed and twist etc. It also varies according to the pattern of production adopted in a particular year.

37. *SEGMENT REPORTING*

The Company's core business is manufacturing and sale of yarn and it generate more than 90% of its revenue and profit from the production and sale of yarn. Decision making process is centralized at head office lead by Chief Executive Officer who continuously involves in day to day operations and regularly reviews operating results and assesses its performance and makes necessary decisions about resources to be allocated to the segments. Currently it has one yarn manufacturing unit. Owing to the similarity in nature of the products and services, nature of the production processes, type or class of customers for the products and services, the methods used to distribute the products, the nature of the regulatory environment all the yarn producing units are aggregated into a single operating segment and the Company's performance is evaluated by the management on an overall basis, therefore these operational segments by location are not separately reportable segments. Company also has an ice factory and ginning factory results of these operations are separately disclosed in note 24 of these financial statements.

38. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2013 and 2012 respectively are as follows:

	2013	*2012*
Number of employees as at year end	755	645
Average number of employees during the year	701	605

39. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

In respect of current year, the directors proposed to pay cash dividend of Rs.Nill (2012: Rs. 69.00 million) @ Rs. Nill (2012: Rs. 3.00) per ordinary share of Rs. 10 each.

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 04, 2013 by the Board of Directors of the Company.

41. GENERAL

Figures have been rounded off to the nearest Rupee, except where stated otherwise.

Chief Executive Officer | **Director** | **Chief Financial Officer**

FORM OF PROXY

22nd Annual General Meeting
SUNRAYS TEXTILE MILLS LIMITED

I / We --

of -- in the

district of -------------------- Being a member (s) of **SUNRAYS TEXTILE MILLS LIMITED** hereby

appoint -- of --------------------------------

----------------------as my proxy, and failing him,---of -----

------------------------ another Member of the Company to vote for me and on my behalf at the

22nd Annual General Meeting of the company to be held on the 30th day of October 2013 and at any

adjournment thereof.

Signed this ___________day of __________ 2013.

Signed by the said Member

SIGNED IN THE PRESENCE OF :

1.Signature :-------------------------------------

Name:---

Address::--

CNIC/Passport No-------------------------------

2. Signature: ------------------------------

Name:----------------------------------

Address:---------------------------------

CNIC/Passport No:--------------------

Information required:		For Member (Shareholder)	For Proxy	For alternate Proxy(*)
Number of shares held			(if member)	
Folio No.				
CDC Account No.	Participant I.D.			
	Account no.			

(*) upon failing of appointed proxy.

Affix Revenue Stamp Rs. 5/-

Notes:

1. *A member entitled to attend and vote at Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member.*

2. *This proxy Form, duly completed and signed, together with Board Resolution / power of Attorney, if any under which it is signed or a notarially certified copy thereof, should be deposited, with our Registrar,* **Corporate Support Service Pakistan (Pvt.) Ltd**. *407-408, Al Ammera Centre Sharah iraq, Saddar Karachi. Telephone No. 35662023-24, not later than 48 hours before the time of holding the meeting.*

3. *The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity its common seal should be affixed on the instrument.*

4. *Any alteration made in this instrument of proxy should be initialed by the person who signs it.*

5. *Attested copies CNIC or the passport of the beneficial owner and proxy shall be provided with the proxy from.*

6. *If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.*

7. *In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.*

The proxy shall produce his / her original CNIC passport at the time of the meeting

AFFIX
CORRECT
POSTAGE

The company Secretary
SUNRAYS TEXTILE MILLS LIMITED
Plot No. 3 & 7. Sector No. 25. Korangi Industrial Area. Karachi

DIVIDEND MANDATE FORM

Members of SUNRAYS TEXTILE MILLS LIMITED

Subject: Dividend Mandate Form

It is inform you that under section 250 of the Companies Ordinance, 1984 a shareholder may, if so desire, directs the Company to pay dividend through his / her / its bank account.

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan from time to time relating to the subject you being the registered shareholder of Sunrays Textile Mills Limited. Are herby given the opportunity to authorize the Company to directly credit into your bank account cash dividend, if any, declared by the Company in future.

PLEASE NOTE THAT THIS DIVIDEND MANDATE IS OPTIONAL AND NOT COMPULSORY, IN CASE YOU DO NOT WISH YOUR DIVIDEND TO BE DIRECTLY CREDITED INTO YOUR BANK ACCOUNT THEN THE SAME SHALL BE PAID TO YOU THROUGH THE DIVIDEND WARRANTS.

Do you wish the cash dividend declared by the company, if any, is directly credited in your bank account, instead of issue of dividend warrants. Please tick "✓" any of the following boxes:

YES NO

If yes, then please provide the following information:

(i) Shareholder's Detail	
Name of the Shareholder	
Folio No./ CDC Participants I D A/c No.	
CNIC NO.	
Passport No. (in case of foreign shareholder)**	
Land Line Phone Number	
Cell Number	

***(ii)* Shareholder's Bank Detail**	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	

The company is hereby authorized to directly credit cash dividend declared by it, if any, from time to time, in the above-mentioned bank account.

It is stated that the above-mentioned information is correct, and that I will intimate the changes in the above-mentioned information to the company and the concerned Share Registrar as soon as they occur.

Date: ____________

____
Signature of the Shareholder

Note:

- The shareholders who hold shares in physical form are requested to submit this Dividend Mandate Form duly filled-in to the Share Registrar concerned.
- Shareholders maintaining their shareholdings under Central Depository System (CDS) are advised to submit this form directly to relevant Participant/ CDC Investor Account Service.

Please attach attested photocopy of the CNIC / passport (in case of Foreign Shareholder).

AFFIX
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The company Secretary
SUNRAYS TEXTILE MILLS LIMITED
Plot No. 3 & 7. Sector No. 25. Koranqi Industrial Area. Karachi