ANNUAL REPORT 2013

The National Silk & Rayon Mills Ltd.

Manufacturer & Exporter of Quality Textile Products

Table of Contents

Mission Statement

*We Shall provide unparalleled service and best value to
our customers through dedicated,
responsive and cost effective supply chain.*

*We are to provide quality products by strict adherence to
international standards and best practices through collaboration
with leading global companies in markets we serve.*

*We shall strive to maximize our shareholders value
through sustained profitable growth.*

*We shall enhance existing employee productivity, hire,
retain and develop best talent and provide them
a competitive environment to excel and grow.*

*We will aggressively focus on increasing our
market penetration by exploring new channels.*

*We shall continue to set new trends through
innovative marketing and manufacturing.*

Company Infromation

Board of Directors	**Executive Directors** Sh. Faisal Tauheed Sh. Kashif Tauheed Mrs. Samira Faisal Mrs. Tahira Kashif **Non Executive Directors** Mr. Yasir Munir - Chairman Mrs. Amna Kamran Mrs. Sadia Kamran
Board Audit Committee	Mrs. Sadia Kamran - Chairman Mrs. Amna Kamran Mr. Yasir Munir
Board Human Resource and Remuneration Committee	Mrs. Amna Kamran - Chairman Mr. Yasir Munir Mrs. Sadia Kamran
Management Team	Sh. Faisal Tauheed Puri - Chief Executive Muhammad Islam Haider - Chief Financial Officer Imran Zafar - Company Secretary
Auditors	Amin Mudassar and Company Chartered Accountants
Bankers	National Bank of Pakistan The Bank of Punjab Bank Alfalah Limited Habib Metropolitan Bank Limited Askari Bank Limited Bank Al-Habib Limited MCB Limited Meezan Bank Limited
Registered Office	4th Floor, I.E.P. Building, 97-B/D-1, Gulberg III, Lahore.
Factory	Dhuddiwala, Jaranwala Road, Faisalabad.
Share Registrar	Orient Software & Management Services (Pvt) Ltd; 35-Z, Ameer Plaza, Opposite Mujahid Hospital, Commercial Centre, Madina Town, Faisalabad.
Legal Advisor	Sahibzada Muhammad Arif Advocate High Court, Chamber No.52, District Courts, Faisalabad.

Notice of 63rd Annual General Meeting

Notice is hereby given that the Sixty Third Annual General Meeting of the Shareholders of The National Silk & Rayon Mills Limited will be held at Hospitality Inn (Formerly Holiday Inn), 25-26, Egerton Road, Lahore on 31st day of October 2013 at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2013 together with the Directors' and Auditors' Report thereon.
2. To consider and approve payment of final cash dividend @10%, i.e. Rs.1/- per share as recommended by the directors.
3. To appoint auditors for the year ending June 30, 2014 and fix their remuneration. The present auditors M/s Amin Mudassar & Co., Chartered Accountants, retire and offer themselves for re-appointment.

SPECIAL BUSINESS:

4. To consider and if thought fit to increase the authorized share capital of the Company from Rs. 14,000,000 to Rs. 204,000,000 by creation of 19,000,000 Aclass ordinary shares of Rs. 10 each and to alter Clause V of the Memorandum of Association and Article 4 of the Articles of Association of the Company by passing the following resolution as a special resolution, with or without modification, addition or deletion:

"RESOLVED that the Authorized Share Capital of the Company be increased from Rs. 14,000,000 divided into 1,000,000 A-Class ordinary shares of Rs. 10 each and 400,000 B-Class ordinary shares of Rs. 10 each to Rs. 204,000,000 divided into 20,000,000 A-Class ordinary shares of Rs. 10 each and 400,000 Bclass ordinary shares of Rs. 10 each.

FURTHER RESOLVED that the existing Clause V of the Memorandum of Association and Article 4 of the Articles of Association of the Company be and are hereby altered and be read as under:

Clause V of the Memorandum of Association

5. The Authorized Share Capital of the Company is Rs. 204,000,000 (Rupees two hundred and four million only) divided into 20,000,000 A-Class Ordinary Shares of Rs.10/- each and 400,000 B-Class Ordinary Shares of Rs.10/- each having such preferential, or special rights, privileges, or conditions as provided in the Articles of Association of the Company, or in accordance with the Companies Ordinance, 1984. Provided, however, that the rights as between various classes of ordinary shares, if any, as to profits, votes and other benefits shall be strictly in proportionate to the paid up value of the shares. The Company shall have the power to: (i) vary, modify or abrogate any such rights, privileges or conditions is such manner as may be permitted by the Companies Ordinance, 1984 and the Articles of Association of the Company; (ii) to increase and/or reduce the capital and to divide shares in the capital into several classes; and (iii) to consolidate or subdivide the shares and to issue shares of higher or lower denominations.

Article 4 of the Articles of Association

4. The Authorized Share Capital of the Company is Rs. 204,000,000 (Rupees two hundred and four million only) divided into 20,000,000 A-Class Ordinary Shares of Rs.10/- each and 400,000 B-Class Ordinary Shares of Rs.10/- each.

RESOLVED FURTHER that the shares when issued shall carry equal voting rights and rank *pari passu* with the exiting A-Class ordinary shares in all respects/matters in conformity with the provisions of Section 92 of the Companies Ordinance, 1984

RESOLVED FURTHER that the Chief Executive and Company Secretary be and are hereby jointly and severally authorized to complete all legal and corporate formalities for increasing the Authorized Capital of the Company and effectuate this Resolution'.

A statement under Section 160(1) (b) of the Companies Ordinance, 1984 pertaining to the special business is being sent to the shareholders along with this Notice.

By order of the Board
(IMRAN ZAFAR)
Company Secretary

Place: Lahore
Dated: October 07, 2013

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 23, 2013 to October 31, 2013 (both days inclusive). Transfers received in order at Share Registrar Office by the close of business October 22, 2013, will be treated in time for the entitlement to attend the meeting.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her.
3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting
4. Members are requested to submit declaration for zakat on the required format and to advise change in address if any.
5. Members are requested to send copies of their computerized National Identity Cards to the company's independent Share Registrar M/s. Orient Software & Management Services (Pvt) Limited, 35-Z, Ameer Plaza, Opp: Mujahid Hospital, Madina Town, Faisalabad.

   CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No.1, of 2000 dated 26th January 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulation, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the meeting.
b. In case of Corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing Proxies

a. In case of individuals, the account holder and/or su-account holder and their registration details are uploaded as per the CDC regulations, shall submit the proxy form as per above requirements.
b. The proxy form shall be witnessed by two persons, whose names, address and CNIC number shall be mentioned on the form
c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
d. The proxy shall produce his original CNIC or original passport at the time of the meeting.
e. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) alongwith the proxy form to the company.

STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the special business to be transacted at the extraordinary general meeting of the Company to be held on 31October 2013 pertaining to increase in authorized share capital of the Company.

Increase in Authorized Share Capital

At present the authorized share capital of the Company is Rs. 14,000,000 divided into 1,000,000 A-Class ordinary shares of Rs.10/- each and 400,000 B-Class ordinary shares of Rs. 10 each. The current paid up share capital of the Company is Rs. 14,000,000 divided into 1,000,000 A-Class ordinary shares of Rs. 10 each and 400,000 B-Class ordinary shares of Rs. 10 each. Therefore, in order to cater for the increase in paid up share capital, the authorized capital is required to be enhanced. The Board of Directors of the Company, therefore, have recommended increase in the authorized share capital of the Company from Rs. 14,000,000 to Rs. 204,000,000 by creation of 19,000,000 A-Class ordinary shares of Rs. 10 each. The Board of Directors have also recommended to alter the Clause V of Memorandum of Association and Article 4 of the Articles of Association to reflect the proposed increase in authorized share capital of the Company.

The new ordinary shares when issued shall rank *pari passu* with the existing A-Class ordinary shares in all respects.

No Director or Chief Executive of the Company or their relatives has any interest, directly or indirectly, in the proposed alteration, except in their capacities as Director / Chief Executive / shareholders.

Directors' Report

The directors of your company are pleased to present the 63rd Annual Report alongwith the audited accounts of the Company for the year ended 30th June 2013:

Business Overview:

By the blessing of Allah Al Mighty, company earned profit of Rs.15,585,123/- during the year ended 30th June 2013. Earnings per share of company are Rs.7.05 per share. By the grace of Al-Mighty Allah your company during the financial year ended 30th June 2013 maintained the position among the market leaders in domestic market. During the period, the sale of the company was Rs.522,512,061/-.

Operating Results:	2013	2012
	--------Rupees--------	
Profit before taxation	15,585,123	9,197,648
Taxation	7,753,463	5,029,658
Profit after taxation	7,831,660	4,167,990
Earning per share - Basic and Diluted	7.05	3.75

Dividend:

The Board of Directors has recommended 10% dividend for the year ended June 30, 2013.

Future Prospects

Your company is continuing innovation of products and introduction of new products in accordance with the demand and need of the customers. Inshaallah, the things will improve in the foreseeable future.

The Management is trying their level best for improving the quality of processing of cloth and hopes that the refined quality would fetch better prices of our output. Consequently, the Company's Management anticipates better financial results in respect of the next financial year.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The directors of your company are aware of their responsibilities under the Code of Corporate Governance incorporated in the Listing Rules of the Stock Exchanges in the country under instructions from the Securities & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance as required by the Code. As a part of the compliance of the Code, we confirm the following.

- These financial statement, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented. The system is being continuously monitored by internal audit and through other such monitoring procedure. The process of monitoring

internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring in improvement in the system.

- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of the corporate governance, as listed in the listing regulations.
- Key operating and financial data for the last six years in summarized form is annexed.
- Information about taxes and levies is given in the notes to the financial statements.
- The company operated an un-funded and unapproved gratuity scheme. The provision was made annually to cover the obligations under the scheme as at the end of the financial year. The company has adopted the revised IAS 19 and a result actuarial valuation has been carried out. The projected unit credit method has been used to determine the actuarial value as specified by the IAS 19.
- There have been no material changes and commitments affecting the financial position which have occurred between the end of financial year and the date of annual report.

Audit Committee

The audit committee of the company is working as required by the Code of Corporate Governance. The audit committee has established internal audit system to monitor and review the adequacy and implementation of internal control at each level. The meetings of audit committee were held in compliance of the requirements of Code of Corporate Governance. Interim and annual financial statements were reviewed by the audit committee before the approval of board of directors.

Financial Statements

As required under the listing regulations of stock exchanges the Chief Executive Officer and Chief Financial Officer present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the board of directors and the board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.

The financial statements of the company have been duly audited by the auditors of the company. Amin Mudassar and Company, Chartered Accountants. Auditors have issued clean audit report on financial statements for the year ended 30th June 2013 and clean review report on Statement of Code of Corporate Governance and their reports are attached with the financial statements. No material changes in contingencies and commitments, effecting the financial position of your company, have occurred between the end of the financial year to which this balance sheet relates and the date of the directors' report.

Related Party Transaction and Transfer Pricing

It is the policy of the company to ensure that all transactions entered with related parties must be at arms length. The company has fully complied with the best practices of the transfer pricing as contained in the listing regulation of stock exchanges in Pakistan.

Director Attendance

During the year, 12 (twelve) Board of Directors, 4 (four) Audit Committee and 2 (two) HR & Remuneration Committee meeting were held. Attendence by each Directors/CFO/Company Secretary was as follows:

Name	Board	Audit Committee	HR & R Committee
Sh. Faisal Tauheed	12	0	0
Sh. Kashif Tauheed	12	0	0
Mrs. Samira Faisal	12	0	0
Mrs. Tahira Kashif	12	0	0
Sh. Yasir Munir	12	4	2
Mrs. Amna Kamran	4	4	2
Mrs. Sadia Kamran	4	4	2
Muhammad Islam Haider (CFO)	12	4	2
Mr. Imran Zafar (Company Secretary)	12	4	2

Directors' Training Programs during the year: Two directors of the company Sh. Faisal Tauheed and Sh. Kashif Tauheed has acquired the certification under Director Training Program from Institute of Chartered Accountants of Pakistan.

Corporate Social Responsibility:

Your company understands its responsibility towards the social activities for the benefit of the society. The company encourages all the activities in this regard. During the year, your company made donations to the institutions which provide free of cost education and health facilities to the poor prople of the society. The company also encourages and supports sports activities among the employees of the company. The company is continuing holding of cricket tournament among the employees of the company which is helping to maintain the fitness and mental development of the employees alongwith provision of entertainment.

Contribution to National Exchequer:

Being a responsible citizen, your company made a contribution of Rs. 22 million to national exchequer in form of income tax, sales tax, custom duties and excise as compared to Rs.18 million during the last financial year.

Business Risks, Challenges and Future Outlook

The Textile industry continues to be challenged as a consequence of the overall economic slowdown resulting in sluggish processing of cloth as well as weakened industrial activity. The year witnessed economic pressures as a result of the ongoing energy crises and a poor law & order situation, exacerbated by political uncertainty and high inflation. As a result of aforesaid factors, a large number of weaving and processing units has been closed down. The unprecedented hike in electricity and gas tariff was also faced by the industry. Due to loadscheding the company was unable to achieve the required production target.

Statutory Auditors of the company:

The present auditors M/s. Amin Mudassar and Company Chartered Accountants retire and offer themselves for reappointment. The Board Audit Committee and the Board of Directors have endorsed their re-appointment as auditors of the company for the year ending June 30, 2014 at the remuneration to be decided by the Chief Executive of the company for consideration by the shareholders in the forthcoming Annual General Meeting.

Pattern of Shareholding:

The pattern of shareholding in the prescribed form is annexed which also includes the information required under Code of Corporate Governance.

Trading by Directors etc:

No shares of the company were traded by Directors and Executives and their spouse and minor children during the year.

Appreciation

We would like to thank all of our staff members for the way they have responded to challenges of the year. Their hard work and commitment is greatly appreciated and is reflected in these results.
We are also thankful for the encouragement and support which we received from our suppliers, shareholders, bankers and financial institutions.

LAHORE:
October 07, 2013

Sh. Faisal Tauheed Puri
Chief Executive

Statement of Compliance

with the Code of Corporate Governance [See clause (xl)]

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

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

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

Category		Names
Independent Director	1.	Mr. Yasir Munir
Managing Director & CEO	2.	Sh. Faisal Tauheed
Executive Director	3.	Sh. Kashif Tauheed
-do-	4.	Mrs. Samira Faisal
-do-	5.	Mrs. Tahira Kashif
Non - Executive Director	6.	Mrs. Amna Kamran
-do-	7.	Mrs. Sadia Kamran

Mr. Yasir Munir joined the Board of Directors in place of Mrs. Saima Shahid's resignation on September 20, 2012.

The independent directors meet the criteria of independence under clause I (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI.

4. Casual vacancy occurring on the Board on September 20, 2012 was filled up accordingly.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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

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

9. The board arranged training programs for two directors subsequent to the Balance Sheet under Directors Training Program from Institute of Chartered Accountants of Pakistan.

10. No new appointments of CFO, Company Secretary and Head of Internal Audit, were made during the year. The board has, however, ratified their appointments including their remuneration and terms and conditions of employment.

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

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

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

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises three (3) members, all whom are non-executive directors including its Chairman.

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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises three (3) members, all of whom are non-executive directors including its Chairman.

18. The board has set up an effective internal audit function which was duly reviewed and ratified by the Audit Committee and approved by the Board of Directors 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 ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

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

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

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Signature
Sh. Faisal Tauheed Puri
Chief Executive Officer

Review Report

to the Members of Statement of Compliance with the Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices (the statement) contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2013, prepared by the Board of Directors of The National Silk & Rayon Mills Limited ("The Company") to comply with the Listing Regulation No.35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of 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 the Karachi and Lahore Stock Exchanges require the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in 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, except for para (9) of Company's Statement of Compliance with Code of Corporate Governance annexed this report 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 of the Company for the year ended June 30, 2013.

Lahore:
October 7, 2013

CHARTERED ACCOUNTANTS
MUHAMMAD AMIN

Auditors' Report
to the Members

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

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

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

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

(b) in our opinion :

(i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied to the financial statements with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

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

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

CHARTERED ACCOUNTANTS

Lahore: AUDIT ENGAGEMENT PARTNER:

October 7, 2013 **MUHAMMAD AMIN**

Balance Sheet

AS AT JUNE 30, 2013

EQUITY AND LIABILITIES	Note	2013 Rupees	2012 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital	3	14,000,000	14,000,000
Issued, subscribed and paid-up capital	4	11,109,410	11,109,410
Unappropriated profit		18,969,456	11,137,796
		30,078,866	22,247,206
SURPLUS ON REVALUATION OF FIXED ASSETS	5	176,329,091	176,329,091
NON CURRENT LIABILITIES			
Long term loans	6	145,421,707	125,921,707
Liabilities against assets subject to finance lease	7	-	-
Deferred liabilities	8	14,041,632	7,764,751
		159,463,339	133,686,458
CURRENT LIABILITIES			
Trade and other payables	9	61,293,332	56,593,253
Short term borrowings- Secured	10	25,103,248	29,411,144
Accrued interest and markup	11	948,214	951,693
Current portion of lease liabilities	12	-	2,329,437
Provision for taxation-income tax	13	-	-
		87,344,794	89,285,527
CONTINGENCIES AND COMMITMENTS	14		
		453,216,090	421,548,282

ASSETS	Note	2013 Rupees	2012 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	15	330,811,041	324,912,958
Long term deposits	16	969,141	1,821,921
		331,780,182	326,734,879
CURRENT ASSETS			
Stores, spares and loose tools	17	1,833,973	2,648,462
Stock in trade	18	20,043,146	34,851,996
Stock in transit		1,732,705	-
Trade debts	19	30,652,540	20,826,337
Loans and advances	20	24,367,047	10,169,125
Trade deposits , short term prepayments and current account balances with statutory authorities	21	19,443,754	19,912,598
Accrued interest		10,285	9,608
Due from Government	22	12,270,071	4,779,058
Cash and bank balances	23	11,082,387	1,616,219
		121,435,908	94,813,403
		453,216,090	421,548,282

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

CHIEF EXECUTIVE **DIRECTOR**

Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales- net	**24**	522,512,061	502,965,825
Cost of sales	**25**	482,722,010	471,381,058
Gross profit		39,790,051	31,584,767
Distribution cost	**26**	166,874	250,308
Administrative expenses	**27**	21,238,273	18,586,087
Other operating expenses	**28**	1,361,974	553,286
		22,767,121	19,389,681
		17,022,930	12,195,086
Other income	**29**	3,501,864	1,878,017
		20,524,794	14,073,103
Finance cost	**30**	4,939,671	4,875,455
Profit before taxation		15,585,123	9,197,648
Taxation	**31**	7,753,463	5,029,658
Profit after taxation		7,831,660	4,167,990
		--------**R u p e e s**--------	
Earning per share- Basic and Diluted	**32**	7.05	3.75

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

CHIEF EXECUTIVE **DIRECTOR**

Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
Profit after taxation	7,831,660	4,167,990
Other comprehensive income-net of taxation	-	-
Total comprehensive income for the year-net of tax	7,831,660	4,167,990

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

CHIEF EXECUTIVE **DIRECTOR**

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	27,118,666	26,793,504
Taxes paid		(4,211,625)	(4,680,655)
Finance cost paid		(4,943,150)	(5,183,844)
Gratuity paid		(829,750)	(1,565,268)
Net cash flows from operating activities		17,134,141	15,363,737
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(23,314,420)	(44,485,207)
Long term deposits		852,780	1,119,020
Sale proceeds of fixed assets		1,931,000	1,002,000
Net cash flows from investing activities		(20,530,640)	(42,364,187)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans		19,500,000	28,833,000
Dividend paid		-	-
Repayment of lease finance liabilities		(2,329,437)	(3,971,752)
Net cash flows from financing activities		17,170,563	24,861,248
Net (Decrease) in cash and cash equivalents		13,774,064	(2,139,202)
Cash and Cash Equivalents at the Beginning of the Year		(27,794,925)	(25,655,723)
Cash and Cash Equivalents at the End of the Year	B	(14,020,861)	(27,794,925)

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

CHIEF EXECUTIVE **DIRECTOR**

Notes to the Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
A - CASH GENERATED FROM OPERATIONS			
Profit before taxation		15,585,123	9,197,648
Adjustment of non cash and other items:			
Provision for gratuity		1,983,238	2,493,750
Depreciation		16,461,757	13,392,396
Profit on disposal of fixed assets		(976,420)	(425,892)
Finance cost		4,939,671	4,875,455
		22,408,246	20,335,709
Cash flows before working capital changes		37,993,369	29,533,357
EFFECT ON CASH FLOWS OF WORKING CAPITAL CHANGES			
(Increase)/Decrease in current assets			
Stores, spares and loose tools		814,489	3,373,143
Stocks in trade		14,808,850	10,175,881
TStock in transit		(1,732,705)	-
Trade debts		(9,826,203)	(5,354,829)
Loan and advances		(14,197,922)	(6,830,838)
Trade deposit and short term prepayments		2,050,399	(5,570,337)
Due from Government		(7,491,013)	(1,807,291)
Accrued interest		(677)	(382)
Increase/(Decrease) in current liabilities			
Trade and other payables		4,700,079	3,274,800
		(10,874,703)	(2,739,853)
		27,118,666	26,793,504
B - CASH AND CASH EQUIVALENTS			
Cash and bank balances	**23**	11,082,387	1,616,219
Short term borrowings	**10**	(25,103,248)	(29,411,144)
		(14,020,861)	(27,794,925)

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

CHIEF EXECUTIVE **DIRECTOR**

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2013

	SHARE CAPITAL	UN-APPROPRIATED PROFIT	TOTAL
	-------------------- R	u p e e	s --------------------
Balance as at July 01, 2011	11,109,410	6,969,806	18,079,216
Profit for the year	-	4,167,990	4,167,990
Other comprehensive income	-	-	-
Total comprehensive profit	-	4,167,990	4,167,990
Balance as at June 30, 2012	11,109,410	11,137,796	22,247,206
Profit for the year	-	7,831,660	7,831,660
Other comprehensive income	-	-	-
Total comprehensive profit	-	7,831,660	7,831,660
Balance as at June 30, 2013	11,109,410	18,969,456	30,078,866

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

CHIEF EXECUTIVE **DIRECTOR**

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

1 STATUS AND NATURE OF BUSINESS

The Company is a Public Limited Company, incorporated in Pakistan on June 27, 1950 under the Companies Act, 1913 (Now Companies Ordinance, 1984). The Company is quoted on Lahore and Karachi stock exchanges. The registered office of the Company is situated at 4th Floor, I.E.P. Building, 97-B/D-1, Gulberg III, Lahore. The factory is located at Dhuddiwala, Jaranwala Road, Faisalabad in the province of Punjab. The principal activity of the company is dyeing, bleaching, finishing and embroidery of fabrics.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

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

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

2.1.2 Amendments to Published Standards effective in current year

During the current period, the Company has adopted the following amendments to IFRS which became effective for the current period:

- Presentations of items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

- Amendments to IAS 12 - deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2012 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.

The adoption of the above amendments did not have any effect on these financial statements.

2.1.2 Standards, Amendments and Interpretations to Existing Standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains / losses would need to be recognized in other comprehensive income.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.

  - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

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

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

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

  The amendments have no impact on financial statements of the Company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

2.2 SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Basis of Preparation

These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

2.2.2 Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgment are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Staff retirement benefits;
b) Taxation; and
c) Useful life of depreciable assets and provision for impairment there against.

2.2.3 Staff Retirement Benefits

The Company operates an unfunded Gratuity Scheme covering all the employees of the Company with qualifying service period of six months. Provision is made annually on the basis of actuarial valuation which is charged to income currently. The most recent actuarial valuation was carried out as at June 30, 2010. using the Projected Unit Credit Method. Actuarial gains and losses are recognized in accordance with the recommendations of the actuary. Further, the management of the company could not determine the expected payments in next period reasonably.

	2013	2012
Principal Actuarial Assumptions		
Expected rate of eligible salary increase in future years	12% per annum	11% per annum
Discount Rate	13% per annum	12% per annum
Average expected remaining working life time of employees	12 years	12 years

2.2.4 Taxation

Current

Company's export sales fall under presumptive tax regime under Section 154 of the Income Tax Ordinance, 2001. Charge for current taxation other than export is based on taxable income at the current rates of taxation after taking into account tax credits, brought forward losses, accelerated depreciation allowances and any minimum limits imposed by the taxation laws.

Deferred

The company accounts for deferred taxation using the liability method on all timing differences which are considered reversible in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred tax is calculated at the rates expected to apply to the period when the related temporary differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

2.2.5 Foreign Currency Translations

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are included in income currently.

2.2.6 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 of incurrence.

2.2.7 Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land and capital work-in-progress. Freehold land is stated at revalued amount and capital work-in-progress is stated at cost consisting of expenditure incurred in respect of fixed assets in the course of their construction and installation. Cost of certain plant and machinery consists of historical cost and exchange fluctuations on foreign currency loans utilized for acquisition thereof. Borrowing costs pertaining to erection / construction period are capitalized as part of the historical cost.

Depreciation is charged to income applying reducing balance method to write-off the cost, capitalized exchange fluctuations and borrowing costs over 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 fixed assets. Rates of depreciation are stated in (note 15).

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment 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 income currently. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

Gains/losses on disposal of fixed assets are taken to Profit and Loss Account.

Minor repairs and maintenance are charged to income, as and when incurred. Major renewals and replacements are capitalized and the assets so replaced, if any, other than those kept as stand by, are retired.

2.2.8 Assets Subject to Finance Lease

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 obligation 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 15) applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life.

Financial charges and depreciation on leased assets are charged to income currently.

2.2.9 Capital Work in Progress

Capital work in progress is stated at cost less any identified impairment loss.

2.2.10 Long Term Deposits and Loans

These are stated at cost.

2.2.11 Stores , Spares and Loose Tools

These are valued at moving average cost. Stores-in-transit are valued at cost accumulated to the balance sheet date.

2.2.12 Stocks-in-Trade

These are valued as follows:

Raw materials:	
Dyes, Chemicals and Packing Material	At Weighted Average Cost.
Chemicals and Dyes in Process	At Weighted Average Cost.
Finished goods	At Lower of Cost and net Realizable Value.

Cost in relation to work-in-process and finished goods represents the annual average manufacturing cost which consists of prime cost and appropriate production overheads.

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

2.2.13 Revenue Recognition:

- Processing charges are recorded when goods are delivered to customers and invoices raised.
- Export sales are booked on shipment basis.
- Other sales are recorded when significant risks and rewards of ownership of the goods have passes to the customers which coincides with dispatch of goods to customers.

2.2.14 Trade debts and other receivables

Trade debts originated by the company are recognized and carried at original invoice amount less any allowance for any uncollectible amounts. Known bad debts, if any, are written-off and provision is made against debts considered doubtful.

2.2.15 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in cash flow statement comprise of cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term running finances under mark up arrangements.

2.2.16 Financial Instruments

Recognition and Measurements

All financial assets and liabilities are recognized at cost when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on subsequent re-measurement to fair value of financial assets and financial liability is taken to profit and loss account on occurrence.

Off-setting of Financial Assets and Financial Liabilities

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

2.2.17 Impairment

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

2.2.18 Trade and Other Payables

Liabilities for trade creditors and other amounts payable 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.

2.2.19 Provisions

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

2.2.20 Dividends

Dividend distribution to company's shareholders is recognized as a liability in the period in which dividend is approved by the Company's shareholders.

2.2.21 Transactions with related parties

All transactions with related parties are carried out by the company using the methods prescribed under the Companies Ordinance,1984.

2.2.22 Contingencies and Commitments

Capital commitments and contingencies, unless those are actual liabilities, are not incorporated in the financial statements.

2.2.23 Functional and Presentation Currency

The financial statements are prepared in Pakistani Rupee, which is the Company's functional and presentation currency.

		2013 Rupees	2012 Rupees
3	**AUTHORIZED SHARE CAPITAL**		
	1,000,000 A - Class Ordinary shares of Rs. 10/- each.	10,000,000	10,000,000
	400,000 B - Class Ordinary shares of Rs. 10/- each.	4,000,000	4,000,000
		14,000,000	14,000,000
4	**ISSUED, SUBSCRIBED & PAID-UP CAPITAL**		
	Issued for Cash		
	609,034 A - Class Ordinary Shares of Rs. 10. each	6,090,340	6,090,340
	320,100 B - Class Ordinary Shares of Rs. 10. each	3,201,000	3,201,000
		9,291,340	9,291,340
	Issued as Bonus Shares		
	181,807 Ordinary Shares of Rs. 10. each	1,818,070	1,818,070
		11,109,410	11,109,410
5	**SURPLUS ON REVALUATION OF FIXED ASSETS**		
	Balance as at 01 July	176,329,091	49,379,091
	Add: Surplus arose on revaluation of fixed assets	-	126,950,000
		176,329,091	176,329,091

The Company has revalued its freehold Land during the year 2000. The revaluation exercise was carried-out by M/s Iqbal Malik and company, Surveyors-Assessors Consultants, Multan resulting in surplus of Rs.49,379,091 over book value. This has been credited to surplus on revaluation of fixed assets. The surplus on revaluation is not available for appropriation under the requirement of Section 235 of the Companies Ordinance, 1984, except and to the extent actually realized on disposal of the assets which are revalued. Thereafter, the company again revalued its freeholand on June 27, 2012.The revaluation excercise was carried out by an independent valuer M/s Material & Design Services (Pvt) Limited, Faisalabad based on market value resulting in surplus of Rs.126,950,000. The amount had been credited to surplus of revaluation of fixed assets to comply with the requirement of section 235 of the Companies Ordinance, 1984.

6	LONG TERM LOANS-Unsecured	Note	2013 Rupees	2012 Rupees
	From related parties:			
	Directors and associates	**6.1**	145,421,707	125,921,707
			145,421,707	125,921,707

6.1 LOAN FROM DIRECTORS AND ASSOCIATES

	2013 Rupees	2012 Rupees
Balance as at July 01,	125,921,707	97,088,707
Add: Received during the year	19,500,000	28,833,000
	145,421,707	125,921,707
Less: Repaid during the year	-	-
	145,421,707	125,921,707

6.2 This represents interest free loan obtained from the related parties. Terms of repayments have not yet been finalised. However, these loans are repayable after June 30, 2014.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The reconciliation between gross minimum lease payments, future financial charges and present value of minimum lease payments is as follows:

	Not later than one year	Later than one year but not later than Five years	2013 Rupees	2012 Rupees
	---------------------------- R	u p	e e	s ----------------------------
Gross minimum lease payments	-	-	-	2,347,376
Less: Financial charges allocated to future years	-	-	-	17,939
Present value of minimum lease payments	-	-	-	2,329,437

The Company has lease finance facilities with Askari Leasing Limited and The Bank of Punjab Limited to acquire plant & machinery and vehicles. These are secured against charge over plant and machinery and personal guarantee of Directors. These are repayable in 36 equal monthly installments. The markup charged thereon ranges from 12% to 18.96% per annum.(2012: 12% to 18.96%) The company intends to exercise its option to purchase the leased assets upon completion of respective lease terms. The leased assets are in the name of Leasing company and on the exercise of option of purchase, title of these leased assets will be transferred in the name of Company.

8. DEFERRED LIABILITIES

	Note	2013 Rupees	2012 Rupees
Provision for staff gratuity	**8.1**	8,918,239	7,764,751
Deferred taxation	**8.4**	5,123,393	-
		14,041,632	7,764,751

8.1 Staff Gratuity - Defined benefits plan

	2013 Rupees	2012 Rupees
The amount recognized in the balance sheet on this account as per IAS 19 is:		
Present value of defined benefit obligation	8,918,239	7,764,751
Movement in present value of defined benefit obligation:		
Present value of defined benefit obligations as on July 01,	7,764,751	6,836,269
Add: Expense recognized during the year	1,983,238	2,493,750
	9,747,989	9,330,019
Less: Benefits paid during the year	(829,750)	(1,565,268)
Present value of defined benefit obligations as on June 30,	8,918,239	7,764,751
Charge to profit and loss account for the year is as follows:		
Current service cost	973,820	931,788
Interest cost	1,009,418	820,352
Actuarial (gains) / loss charge	-	741,610
	1,983,238	2,493,750

8.2 Principal Actuarial Assumptions

	2013	2012
Expected rate of eligible salary increase in future years	12% per annum	11% per annum
Discount Rate	13% per annum	12% per annum
Average expected remaining working life time of employees	12 years	12 years
Expected mortality rate	EFU (61-66)	EFU (61-66)

8.3 Comparison for five years:

As at June 30,	2013	2012	2011	2010	2009
		---------------------- (R	u p e e	s)----------------------	
Present value of defined benefit obligation	8,918,239	7,764,751	6,836,269	5,950,996	6,259,400

	Note	2013 Rupees	2012 Rupees
8.4 Deferred Taxation			
This is composed of the following:			
Deferred tax liability on taxable temporary differences arising in respect of:			
Accelerated tax depreciation		27,624,018	24,181,462
Excess of accounting book value of leased assets over liabilities		-	1,164,187
		27,624,018	25,345,649
Deferred tax asset on deductable temporary differences arising in respect of:			
Deferred debits arising in respect of staff gratuity		(3,032,201)	(2,717,663)
Deferred debits arising on brought forward losses		(19,468,423)	(22,627,986)
		(22,500,625)	(25,345,649)
		5,123,393	-
Balance as at July 01,		-	-
Add: Charge / (Reversal) for the year		5,123,393	-
		5,123,393	-

Previous year deferred tax amounting to Rs.4.18 million on unused tax losses was not recognized in these financial statements being prudent.

9 TRADE AND OTHER PAYABLES

	Note	2013 Rupees	2012 Rupees
Sundry creditors		25,964,031	24,503,443
Accrued expenses		19,238,096	20,623,703
Advance from customers		5,195,176	1,243,624
Unclaimed dividend		462,347	462,347
Letter of credit payable		9,221,350	9,205,629
Income tax withheld		148,922	70,421
Sales tax withheld		197,570	-
Workers' (profit) participation fund	9.1	865,840	484,086
		61,293,332	56,593,253

9.1 Workers' (Profit) Participation Fund

	2013	2012
Balance as at July 01,	484,086	91,289
Interest charged for year	50,829	9,585
	534,915	100,874
Less: Payments during the Year	534,915	100,874
	-	-
Allocation for the year	865,840	484,086
	865,840	484,086

10 SHORT TERM BORROWINGS -Secured

	Note	2013	2012
From banking companies:			
Cash finance	10.1	25,103,248	21,438,066
Running finance	10.2	-	7,973,078
		25,103,248	29,411,144

10.1 This facility has been obtained from National Bank of Pakistan with sanctioned limit of Rs.30.00 Million (2012: Rs.30.00 million) for working capital. This is secured against hypothecation charge over Company's present and future current assets, mortgage / charge over fixed assets and personal guarantees of all directors. This carries markup @ 3 months KIBOR(Ask) rate+3.25% per annum (2012:@ 3 months KIBOR(Ask) rate+3.25% per annum) payable on quarterly basis.

10.2 This facility was obtained from The Bank of Punjab with sanctioned limit of Rs.8.00 Million (2012:Rs.8.00 million) for working capital. This is secured against hypothecation charge over Company's present and future current assets, mortgage charge over fixed assets and personal properties of two directors and personal guarantees of all directors. This carries markup @ 3 month KIBOR(Avg) + 325 bps with floor of 12% per annum (2012:@ 3 month KIBOR + 325 bps with floor of 12% per annum) payable on quarterly basis.

The facilities for opening letters of credit and export bills negotiation as at June 30, 2013 amounted to Rs.110.00 Million (2012: Rs.98.00 Million) of which the amount under utilized at year end was Rs.46.74 Million (2012: under utilized Rs. 30.16 Million).

	2013 Rupees	2012 Rupees
11 ACCRUED INTEREST AND MARK UP		
Mark up on short term finances- Secured	948,214	951,693
Lease finance charges- Secured	-	-
	948,214	951,693
12 CURRENT PORTION OF LEASE LIABILITIES		
Payable within next twelve months	-	2,329,437
	-	2,329,437
13 PROVISION FOR TAXATION		
Balance as at 1st July,	-	-
Less: Adjusted during the year	-	-
	-	-
Add: Provision for the taxation-current	2,630,070	5,029,658
	2,630,070	5,029,658
Less: Tax deducted at source / advance tax	(2,630,070)	(5,029,658)
	-	-

13.1 Income tax assessments of the company have been finalized up to the Tax Year 2012. On the basis of return filed for the Tax Year 2012 the loss of Rs.65,621,177 was determined.

13.2 Provision for the current year represents tax on income chargeable under minimum tax on turnover due under section 113 of the Income Tax Ordinance, 2001.

13.3 No numeric tax rate reconciliation is presented in these financial statements as the company is not liable to pay normal tax due to available tax losses.

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

- Counter guarantees by the bank in respect of guarantees issued in the normal course of business for sum of Rs.Nil (2012: Rs.Nil million).
- The Sui Northern Gas Pipelines Limited (SNGPL) has raised a demand amounting Rs.39.805 million (2012:Rs. 39.805 million) . Which has been contested by the Company as unsubstantiated and unjustified. The Company has deposited Rs.12.677 million (2012: Rs.8.543 million) during the year with SNGPL under protest as referred to note No.20 to the financial statements. SNGPL had constituted a Review Committee to examine and resolve the matter and bring the facts on record. During the year, aforesaid Committee has decided the case against the Company. The Company had filed appeal to Oil & Gas Regulatory Authority (OGRA). The Joint Executive Director (OGRA) has decided the case in favour of the Company. However, SNGPL has filed appeal to OGRA for review against the decision of Joint Executive Director (OGRA). The Company is hopeful that the decsion of OGRA in respect of appeal filed by SNGPL would be in favour of the Company.
- The Employee Old Age Benefit Institution, Regional Office South, Faisalabad had raised demand amounting Rs.1.450 million under Section 30 (1) of the Employees' Old Age Benefits Act, 1976.The case was pending before the Registrar Adjudication, Employees Old Age Benefits Institution, Lahore. During the year Adjudicating Authourity , Employees Old Age Benefits Institution has decided the aforesaid case and determined a final liability of the Company Rs.0.750 million. The Company has accounted for the same in these financial statements accordingly.

14.2 Commitments

Commitments in respect of letters of credit for capital expenditures were amounting Rs.Nil (2012: Rs.Nil)

Commitments in respect of letters of credit other than for capital expenditures were amounting Rs.33.866 million (2012: Rs.9.205 million).

15 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	OWNED												LEASED			CAPITAL WORK IN PROGRESS			GRAND TOTAL
	Land-Freehold			Building on Free hold Land															
	Cost	Revaluation Surplus	Sub Total	Factory	Residential	Sub Total	Plant and Machinery	Pipeline and Electric Fitting	Office Equipment	Furniture and Fixture	Vehicles	TOTAL	Plant and Machinery	Vehicles	TOTAL	Building	Plant and Machinery	TOTAL	
								Amount		In		Rupees							
Cost / Revaluation																			
Balance as at 01 July,2011	220,909	49,379,091	49,600,000	17,961,368	104,888	18,066,256	185,607,131	10,151,830	1,991,914	753,590	6,378,932	272,549,653	15,375,000	-	15,375,000	-	-	-	287,924,653
Additions	-	126,950,000	126,950,000	-	-	-	42,339,956	-	-	-	2,145,251	171,435,207	-	-	-	-	-	-	171,435,207
Transfers	-	-	-	-	-	-	7,875,000	-	-	-	-	7,875,000	(7,875,000)	-	(7,875,000)	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	(1,394,490)	(1,394,490)	-	-	-	-	-	-	(1,394,490)
Balance as at 30 June 2012	220,909	176,329,091	176,550,000	17,961,368	104,888	18,066,256	235,822,087	10,151,830	1,991,914	753,590	7,129,693	450,465,370	7,500,000	-	7,500,000	-	-	-	457,965,370
Balance as at 01 July,2012	220,909	176,329,091	176,550,000	17,961,368	104,888	18,066,256	235,822,087	10,151,830	1,991,914	753,590	7,129,693	450,465,370	7,500,000	-	7,500,000	-	-	-	457,965,370
Additions	-	-	-	-	-	-	18,266,401	1,090,100	-	-	1,904,290	21,260,791	-	-	-	2,053,629	-	2,053,629	23,314,420
Transfers	-	-	-	-	-	-	7,500,000	-	-	-	-	7,500,000	(7,500,000)	-	(7,500,000)	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	(2,083,050)	(2,083,050)	-	-	-	-	-	-	(2,083,050)
Balance as at 30 June 2013	220,909	176,329,091	176,550,000	17,961,368	104,888	18,066,256	261,588,488	11,241,930	1,991,914	753,590	6,950,933	477,143,111	-	-	-	2,053,629	-	2,053,629	479,196,740
Depreciation																			
Balance as at 01 July 2011	-	-	-	14,190,346	96,469	14,286,815	92,519,058	5,772,080	1,323,647	645,928	2,427,461	116,974,988	3,503,410	-	3,503,410	-	-	-	120,478,398
Charge for the year	-	-	-	377,102	421	377,523	10,488,573	437,975	66,827	10,766	823,573	12,205,237	1,187,159	-	1,187,159	-	-	-	13,392,396
Transfers	-	-	-	-	-	-	2,860,569	-	-	-	-	2,860,569	(2,860,569)	-	(2,860,569)	-	-	-	-
On disposals/transfers	-	-	-	-	-	-	-	-	-	-	(818,382)	(818,382)	-	-	-	-	-	-	(818,382)
Balance as at 30 June 2012	-	-	-	14,567,448	96,890	14,664,338	105,868,200	6,210,055	1,390,474	656,694	2,432,652	131,222,412	1,830,000	-	1,830,000	-	-	-	133,052,412
Balance as at 01 July 2012	-	-	-	14,567,448	96,890	14,664,338	105,868,200	6,210,055	1,390,474	656,694	2,432,652	131,222,412	1,830,000	-	1,830,000	-	-	-	133,052,412
Charge for the year	-	-	-	339,392	400	339,792	14,553,004	439,017	60,144	9,690	871,110	16,272,757	189,000	-	189,000	-	-	-	16,461,757
Transfers	-	-	-	-	-	-	2,019,000	-	-	-	-	2,019,000	(2,019,000)	-	(2,019,000)	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	(1,128,470)	(1,128,470)	-	-	-	-	-	-	(1,128,470)
Balance as at 30 June 2013	-	-	-	14,906,840	97,290	15,004,130	122,440,204	6,649,072	1,450,618	666,384	2,175,292	148,385,699	-	-	-	-	-	-	148,385,699
Carrying amount-2012	220,909	176,329,091	176,550,000	3,393,920	7,998	3,401,918	129,953,887	3,941,775	601,440	96,896	4,697,041	319,242,958	5,670,000	-	5,670,000	-	-	-	324,912,958
Carrying amount-2013	220,909	176,329,091	176,550,000	3,054,528	7,598	3,062,126	139,148,284	4,592,858	541,296	87,206	4,775,641	328,757,412	-	-	-	-	-	-	330,811,041
Rates of Depreciation (%p.a)				10%	5%		10%	10%	10%	10%	20%		10%	20%					

15.1 The depreciation charged for the year has been allocated as follows:

	Note	2013 Rupees	2012 Rupees
Cost of sales	25	14,815,581	12,053,156
Administrative expenses	27	1,646,176	1,339,240
		16,461,757	13,392,396

15.2 The Company during the year ended June 30, 2000 had revalued its freehold land. The revaluation exercise was carried out by an independent valuer M/S Iqbal and Company, Surveyors, Assessors and Consultants, Multan on the basis of replacement cost. Had there been no revaluation of Freehold Land., the carrying amount of the Land as at June 30,2012 would have been as follows:

Particulars	Cost Rupees	Accumulated Depreciation	Carrying Value
	………………R	U P E E	S………………
Freehold Land	220,909	-	220,909
As at June 30,2013	220,909	-	220,909
As at June 30,2012-Rupees	**220,909**	**-**	**220,909**

15.3 Disposal of property, plant and equipment:

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit	Mode of Disposal	Particulars
		………………R U P E E S………………					
Vehicle							
Toyota Corolla Vehicle Registration No. LE - 10 - 7184	1,328,300	576,188	752,112	1,280,000	527,888	Negotiation	Allah Ditta
Suzuki Cultus Vehicle Registration No. FDA - 07 - 980	616,000	449,810	166,190	575,000	408,810	Negotiation	Abdul Hafeez
Items having book value less than Rs. 50,000 each	138,750	102,472	36,278	76,000	39,722	Negotiation	M. Waqas & M. Javed
2013	2,083,050	1,128,470	954,580	1,931,000	976,420		
2012: Rupees	**1,394,490**	**818,382**	**576,108**	**1,002,000**	**425,892**		

		2013 Rupees	2012 Rupees
16	**LONG TERM DEPOSITS**		
	Security deposits	969,141	321,921
	Deposits against finance lease	-	1,500,000
		969,141	1,821,921
17	**STORES, SPARES AND LOOSE TOOLS**		
	Stores	1,310,905	505,535
	Spares	523,068	2,142,927
		1,833,973	2,648,462
18	**STOCK IN TRADE**		
	Raw material	16,171,025	28,601,888
	Packing material	959,361	640,215
	Work in process - Cost of processing done on third party orders	1,048,323	1,462,046
	Finished goods - Cost of processing done on third party orders	1,864,437	4,147,847
		20,043,146	34,851,996

18.1 These stocks are hypothecated with banks as security against short term finances as indicated in note no.10.

		Note	2013 Rupees	2012 Rupees
19	**TRADE DEBTS**			
	Local - Unsecured and considered good by the management.		30,652,540	20,826,337
			30,652,540	20,826,337
20	**LOANS AND ADVANCES**			
	Advances to: (Unsecured but considered good)			
	Suppliers of goods		2,808,399	617,933
	Employees against salaries		100,000	100,000
	Employees against expenses		138,938	908,147
	Others -SNGPL	**20.1**	21,319,710	8,543,045
			24,367,047	10,169,125

20.1 Referred to note no.14.1 to the financial statements.

		Note	2013 Rupees	2012 Rupees
21	**TRADE DEPOSITS , SHORT TERM PRE-PAYMENTS AND CURRENT ACCOUNT BALANCES WITH STATUTORY AUTHORITIES**			
	Trade deposits:			
	Security deposits		16,622,100	16,622,100
	Short term prepayments		561,282	1,053,601
	Immature letters of credit- secured	**21.1**	339,523	1,897,603
	Tax deducted at source		1,920,849	339,294
			19,443,754	19,912,598

21.1 These comprise of opening charges, bank charges and partial payments of cost of documents.

		2013 Rupees	2012 Rupees
22	**DUE FROM GOVERNMENT**		
	Sales tax refundable	12,270,071	4,779,058
		12,270,071	4,779,058

	Note	2013 Rupees	2012 Rupees
23 CASH AND BANK BALANCES			
Cash in hand		150,191	63,670
Cash with banks in:			
Current accounts		10,627,196	1,247,549
Deposit accounts	23.1	305,000	305,000
		10,932,196	1,552,549
		11,082,387	1,616,219

23.1 These are Term Deposit Receipts (TDR) held under lien by National Bank of Pakistan as margin against guarantees issued to Sui Northern Gas Pipe Lines Limited and carry mark up @6.09% per annum (2012:@6.09%% per annum).

	Note	2013 Rupees	2012 Rupees
24 SALES -net			
Gross:			
Exports		-	2,155,241
Processing receipts		532,915,207	488,887,431
Others		-	14,101,201
		532,915,207	502,988,632
Less: sales tax		(10,403,146)	(2,178,048)
		522,512,061	500,810,584
		522,512,061	502,965,825
25 COST OF SALES			
Salaries, wages and benefits	25.2	37,434,787	25,445,620
Fuel and power		174,053,383	195,755,869
Raw material consumed	25.1	223,784,432	205,716,579
Packing material consumed		7,068,372	7,629,282
Stores and spares consumed		17,108,812	15,728,854
Oil and greases consumed		4,209,080	4,652,640
Repair and maintenance		1,550,430	1,349,458
Depreciation	15.1	14,815,581	12,053,156
		480,024,877	468,331,458
Work in process			
Opening stock		1,462,046	2,201,423
Closing stock		(1,048,323)	(1,462,046)
		413,723	739,377
		480,438,600	469,070,835
Finished goods			
Opening stock		4,147,847	6,458,070
Closing stock		(1,864,437)	(4,147,847)
		2,283,410	2,310,223
		482,722,010	471,381,058
25.1 Raw Material Consumed			
Balance as at July 01,		28,601,888	36,280,140
Purchases during the Year		211,353,569	198,038,327
Available for Consumption		239,955,457	234,318,467
Less: Balance as at June 30,		16,171,025	28,601,888
		223,784,432	205,716,579

25.2 Salaries, wages and benefits include Rs. 1,664,943 (2012: Rs. 2,069,812) in respect of staff gratuity.

	Note	2013 Rupees	2012 Rupees
26 DISTRIBUTION COSTS			
Salaries and benefits		138,970	136,034
Advertisement and sales promotion expenses		27,904	65,400
Ocean charges		-	-
Clearing and forwarding charges		-	48,874
		166,874	250,308
27 ADMINISTRATIVE EXPENSES			
Directors' remuneration		6,000,000	5,392,800
Rent, rates and taxes		232,114	201,504
Staff salaries and benefits	**27.1**	5,236,930	3,849,828
Traveling and conveyance		136,060	173,157
Electricity		188,465	16,787
Water and sewerage expense		1,263,112	1,529,026
Communication expenses		653,944	794,315
Printing and stationery		442,764	508,692
Repair and maintenance		864,823	1,027,841
Vehicle running and maintenance		1,267,068	902,001
Fees and subscriptions		242,795	379,650
Legal and professional charges		210,000	45,000
Auditors' remuneration	**27.2**	430,000	360,000
Newspapers and periodicals		9,545	8,952
Entertainment		964,639	707,347
Insurance		847,676	900,399
Zakat deducted at source		7,625	7,625
Depreciation	**15.1**	1,646,176	1,339,240
Miscellaneous	**27.3**	594,537	441,923
		21,238,273	18,586,087

27.1 Staff salaries and benefits includes Rs.318,295 (2012: Rs.423,938) in respect of staff gratuity.

27.2 Auditors' remuneration

The audit fee and remuneration for other services included in the financial statements is as follows:

	2013 Rupees	2012 Rupees
Amin, Mudassar & Co.		
Statutory audit	370,000	300,000
Half yearly review	45,000	40,000
Out of pocket expenses	15,000	20,000
	430,000	360,000

27.3 This includes Rs. 100,000 donation paid during the year. No director or his/her spouse had any interest in the donee.

	2013 Rupees	2012 Rupees
28 OTHER OPERATING EXPENSES		
Workers' (Profit) Participation Fund	865,840	484,086
Exchange loss	496,134	69,200
	1,361,974	553,286

	Note	2013 Rupees	2012 Rupees
29 OTHER INCOME			
Income from financial assets:			
Profit on bank deposits		20,712	18,987
Income from non-financial assets:			
Sale of scrap		1,797,950	1,400,041
Profit on disposal of fixed assets		976,420	425,892
Write back of old balances		664,667	-
Exchange gain		-	33,097
Others		42,115	-
		3,501,864	1,878,017
30 FINANCE COST			
Markup on:			
Lease finance		210,844	321,006
Short term borrowings		4,351,447	3,865,332
Interest on workers' (profit) participation fund		50,829	9,585
Bank charges and commission		326,551	679,532
		4,939,671	4,875,455
31 TAXATION			
Current:			
For the year	**13**	2,630,070	5,029,658
Deferred	**8.4**	5,123,393	-
		7,753,463	5,029,658

	No. of Shares 2013	2012
32 EARNING / (LOSS) PER SHARE		
Issued, subscribed and paid up shares	1,110,941	1,110,941
Profit for the year (Rs.)	7,831,660	4,167,990
Earning per share (Rs.)	7.05	3.75

33 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties have been disclosed in the relevant notes to the financial statements.

34 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the chief executive, working directors and executive of the company is as follows:

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees
Basic salary	1,636,364	1,430,187	3,818,182	3,472,364	709,091	618,182
Re-imbursable expenses	163,636	143,013	381,818	347,236	70,909	61,818
	1,800,000	1,573,200	4,200,000	3,819,600	780,000	680,000
	1	1	3	3	1	1

Executives are defined as employees with basic salary exceeding Rs. 500, 000.

The Chief Executive and Directors are also provided with free use of company maintained cars and residential telephones.

35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest rate risk). Financial risk management is carried out under risk policies established and approved by the Board of Directors. The management administers all aspects of risk management involving currency and interest rate risk, and cash management, in accordance with the risk policy.

The company's exposure to financial risks, the way these risks affect revenues, expenses, assets, liabilities and forecast transactions of the company and the manner in which each of these risks are managed is as follows:

35.1 Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trades debts, advances and deposits, interest accrued, other receivables and margin on letter of guarantee. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2013 Rupees	2012 Rupees
Trade debts	30,652,540	20,826,337
Loans and advances	24,367,047	10,169,125
Interest accrued	10,285	9,608
Cash and bank balances	11,082,387	1,616,219
	66,112,259	32,621,289

Geographically there is no concentration of credit risk.

Credit Quality of Financial Assets

Foreign trade debts are secured against confirmed letter of credit. The company has placed funds in financial institutions keeping in view credit ratings. The company assesses the credit quality of the counter parties as satisfactory. The company does not hold any collateral as security against any of its financial assets except foreign debtors, if any.

The aging of trade debts at the reporting date was:

	Gross 2013	Gross 2012
Past due less than one year	30,652,540	20,826,337
Past due over one year but less than three years	-	-
	30,652,540	20,826,337
Cash at banks		
A-1+	9,986,132	812,053
A1+	819,890	662,604
A2	-	6,963
A-2	119,211	70,929
A3	6,963	-
	10,932,196	1,552,549

Credit Risk Management

In respect of trade receivables, the company does not have significant concentration of credit risk with a single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables balances and individually significant balances, along with collection activities are reported to the Board of Directors on a monthly basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis of confirmed letters of credit. These actions are also reported to the Board on a monthly basis.

35.2 Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The following are the contractual maturities of financial liabilities , including expected interest payments and excluding the impact of netting agreements:

	2013			
	Carrying Amount	Contractual Cash Flows	Maturity up to one year	Maturity after one year
	Rupees			
Financial Liabilities				
Liabilities against assets subject to finance lease	-	-	-	-
Trade and other payables	61,293,332	61,293,332	61,293,332	-
Mark up accrued	948,214	948,214	948,214	-
	62,241,546	62,241,546	62,241,546	-

	2012			
	Carrying Amount	Contractual Cash Flows	Maturity upto one year	Maturity after one year
	Rupees			
Financial Liabilities				
Liabilities against assets subject to finance lease	2,329,437	2,347,376	2,347,376	-
Trade and other payables	56,593,253	56,593,253	56,593,253	-
Mark up accrued	951,693	951,693	951,693	-
	59,874,383	59,892,322	59,892,322	-

Liquidity Risk Management

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the company ensures that it has sufficient cash on demand to meet expected operational cash flows, including serving of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. Further, the company has the support of its sponsors in respect of any liquidity shortfalls.

35.3 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 net profit or the fair value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

35.3.1 Currency Risk

The company is exposed to currency risk in respect of export sales, imports and resulting balances that are denominated in a currency other than functional currency. There is no company's exposure to currency risk as at the reporting date.

All foreign currency balances are denominated in USD. Average exchange rate used during the year is Rs.96.73/ USD (2012: Rs.89.94/USD). Spot exchange rate applied for measuring financial assets and liabilities as at the reporting date is Rs. 98.8/USD (2012: Rs96.05/USD respectively.

A ten percent change in foreign currency would have no change on profit. This sensitivity analysis is based on assumption that all variables, with the exception of foreign exchange rates, remain unchanged.

Foreign Currency Risk Management

Foreign currency risk arises mainly due to fluctuation in foreign exchange rates. The company also has transactional currency exposure. Such exposure arises from sales and purchases of certain materials by the company in currencies other than rupees. In appropriate cases, the management takes out forward contacts to mitigate risk where it is necessary.

35.3.2 Interest Rate Risk

The interest rate profile the company's interest bearing financial instruments as at the reporting date is as follows:

	2013 Rupees	2012 Rupees
Fixed rate instruments:		
Financial assets	-	-
Financial liabilities	-	2,329,437
Variable rate instruments:		
Financial assets	305,000	305,000
Financial liabilities	-	-

The company is exposed to interest rate risk in respect of its variable rate instruments. A 100 basis points increase in variable interest rates would have increased loss by Rs.Nil (2012: increased loss by Rs.303,665). A 100 basis points decrease in variable interest rate would have had an equal but opposite impact on profit. This sensitivity analysis is based on assumption that all variables, with the exception of interest rates, remain unchanged.

The effective interest / mark-up rates in respect of financial instruments are mentioned in respective notes to the financial statements.

35.4 Capital risk management

The primary objective of the company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital.

The company manages its capital structure and makes adjustment to it, in 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, return capital to shareholders or issue new shares. No changes were made in the objectives, policy and processes during the year ended June 30, 2013.

The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt.

During 2013 the company's strategy was to minimize leveraged gearing. The gearing ratios as at June 30, 2013 and 2012 were as follows:

	2013 Rupees	2012 Rupees
Long term loans	145,421,707	125,921,707
Liabilities against assets subject to finance lease	-	-
Trade and other payable	61,293,332	56,593,253
Short term borrowings	25,103,248	29,411,144
Current portion of long term finance	-	2,329,437
Accrued interest	948,214	951,693
Total debt	232,766,501	215,207,234
Cash and bank balances	11,082,387	1,616,219
Net debt	221,684,114	213,591,015
Share capital	11,109,410	11,109,410
Surplus on revaluation of fixed assets	176,329,091	176,329,091
Reserves	18,969,456	11,137,796
Equity	206,407,957	198,576,297
Capital	428,092,071	412,167,312
Gearing ratio	51.78	51.82

35.5 Fair Value of Financial Assets and Liabilities

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

36 PROPOSED DIVIDEND

The Board of the Company have proposed a final dividend for the year ended June 30, 2013 of Re. 1.00 (2012: Rs. Nil) per share amounting to Rs. 1,110,941 (2012: Rs. Nil) at their meeting held on October 07, 2013 for approval of members at the Annual General Meeting to be held on October 31, 2013. These financial statements do not reflect this dividend payable.

37 PLANT CAPACITY AND ACTUAL PRODUCTION

	2013	2012
Cloth Processing		
Rated capacity (meters)	57,600,000	57,600,000
Actual processing (meters)	26,580,026	37,744,405
Percentage	**46.15%**	**65.53%**
Embroidery Processing		
Rated capacity (meters)	4,940,050	3,004,800
Actual processing (meters)	4,763,590	2,832,962
Percentage	**96.43%**	**94.28%**
No. of working days	313	313

Under utilization of available capacity is due to different mélange of cloth available for processing and unsustained supply of electricity and sui gas.

38 OPERATING SEGMENT

38.1 These financial statements have been prepared on the basis of a single reportable segment.

38.2 All non-current assets of the company as at June 30, 2013 are located in Pakistan.

39 NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

	2013	2012
	(--------N u m b e r-------)	
Average number of employees during the year	311	256
Number of employees as at June 30,	327	282

40 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorized for issue by the board of directors of the company on October 7, 2013.

41 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison.

42 GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

CHIEF EXECUTIVE **DIRECTOR**

Pattern of Shareholding

as at June 30, 2013

Number of shareholder	From	To	Shares held Physical	Shares held CDC	Shares held Total
338	1	100	12,594	1,774	14,368
103	101	500	24,269	3,802	28,071
32	501	1,000	20,736	3,634	24,370
15	1,001	5,000	23,672	3,215	26,887
1	5,001	10,000	9,680	-	9,680
1	10,001	15,000	10,900	-	10,900
3	20,001	25,000	75,000	-	75,000
2	40,001	45,000	82,204	-	82,204
1	100,001	105,000	104,198	-	104,198
1	105,001	110,000	107,500	-	107,500
2	110,001	115,000	222,009	-	222,009
2	200,001	205,000	405,754	-	405,754
501			1,098,516	12,425	1,110,941

Categories of Shareholders	Number	Number of Shareholders	Percentage share held
1. Directors, Chief Executives, their spouse and minor children			
i Sh. Faisal Tauheed Puri	1	202,975	18.27
ii Sh. Kashif Tauheed Puri	1	202,779	18.25
iii Sh. Tauheed Ellahi Puri	1	107,500	9.68
iv Mst. Shahida Tauheed	1	115,098	10.36
v Mst. Saima Shahid	1	25,000	2.25
vi Mst. Amna Kamran	1	25,000	2.25
vii Mst. Sadia Kamran	1	25,000	2.25
viii Mst. Samira Faisal	1	111,088	10.00
ix Mst. Tahira Kashif	1	110,921	9.98
x Mr. Yasir Munir	1	2,500	0.23
xi Sh. Mustafa Tauheed	1	40,776	3.67
xii Sh. Mahad Kashif	1	41,428	3.73
Total	12	1,010,065	91
2. Executives	**-**	**-**	-
3. Associated Companies, Undertaking & Related Parties	**-**	**-**	-
4. Investment Corporation of Pakistan	**1**	**900**	0.08
5. Mutual Funds	**-**	**-**	-
6. Banks, NBFC's, DFI's, Takaful, Pension Funds	**-**	**-**	-
7. Modarabas	**-**	**-**	-
8. Insurance Companies	**1**	**20**	0.00
9. Other Companies, Corporate Bodies, Trust etc.	**5**	**1,966**	0.18
10. General Public	**482**	**97,990**	8.82
GRAND TOTAL	501	1,110,941	100

Shareholders more than 5% shareholding

i Sh. Faisal Tauheed Puri	1	202,975	18.27
ii Sh. Kashif Tauheed Puri	1	202,779	18.25
iii Sh. Tauheed Ellahi Puri	1	107,500	9.68
iv Mst. Shahida Tauheed	1	115,098	10.36
viii Mst. Samira Faisal	1	111,088	10.00
ix Mst. Tahira Kashif	1	110,921	9.98

Summary of Last Six Years Financial Results

Description	2013	2012	2011	2010	2009	2008
Trading Results						
Turnover	522,512,061	502,965,825	365,110,217	378,580,342	390,774,463	321,137,450
Gross Profit	39,790,051	31,584,767	21,335,044	21,725,148	18,803,528	20,504,613
Operating Profit (Loss)	20,524,794	14,073,103	6,548,925	6,239,964	3,104,406	9,126,498
Profit/(Loss) before taxation	15,585,123	9,197,648	1,699,799	1,827,188	(657,861)	2,982,383
Profit/(Loss) after taxation	7,831,660	4,167,990	(2,232,525)	864,642	(3,590,978)	8,355,464
Balance Sheet						
Shareholders equity	11,109,410	11,109,410	11,109,410	11,109,410	11,109,410	11,109,410
Unappropriated profit/(loss)	18,969,456	11,137,796	6,969,806	10,313,272	9,448,630	13,039,608
Tangible fixed assets	330,811,041	324,912,958	167,446,255	174,339,259	157,174,921	171,671,822
Significant Ratios:						
Gross Profit %	7.62	6.28	5.84	5.74	4.81	6.38
Current Ratio	1.39	1.06	1.04	1.01	1.21	0.90
Earning per share	7.05	3.75	(2.01)	0.78	3.23	7.52

FORM OF PROXY

Folio No.

I/WE ______________________________

Of ______________________________

Being a member of The National Silk & Rayon Mills Limited hereby appoint ______________________________

(Name)

Of ______________________________

(Another member of the) failing him ______________________________

(Name)

Of ______________________________

(Another member of the Company) to attend, act and vote for me and on my/our behalf at the 63rd Annual General Meeting of the Company to be held on Thursday, 31st day of October 2013 at 4.00 p.m. Hospitality Inn (formerly Holiday Inn), 25-26, Egerton Road, Lahore and at any adjournment thereof.

As witness my/our hand(s) this ______________ day of ______________ 2013

Signature on
Revenue Stamp
of Correct Value

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

Date: ______________

NOTE:
Proxy form must be signed across a correct value Revenue Stamp and it should be deposited in the Registered Office of the company not later than 48 hours before time of holding the meeting.

ANNUAL REPORT 2013

The National Silk & Rayon Mills Ltd.

Manufacturer & Exporter of Quality Textile Products

Jaranwala Road, Faisalabad-Pakistan
Tel: 0092418721760-61 Fax:0092418712216
Email: faisal@nationalsilk.com - www.nationalsilk.com