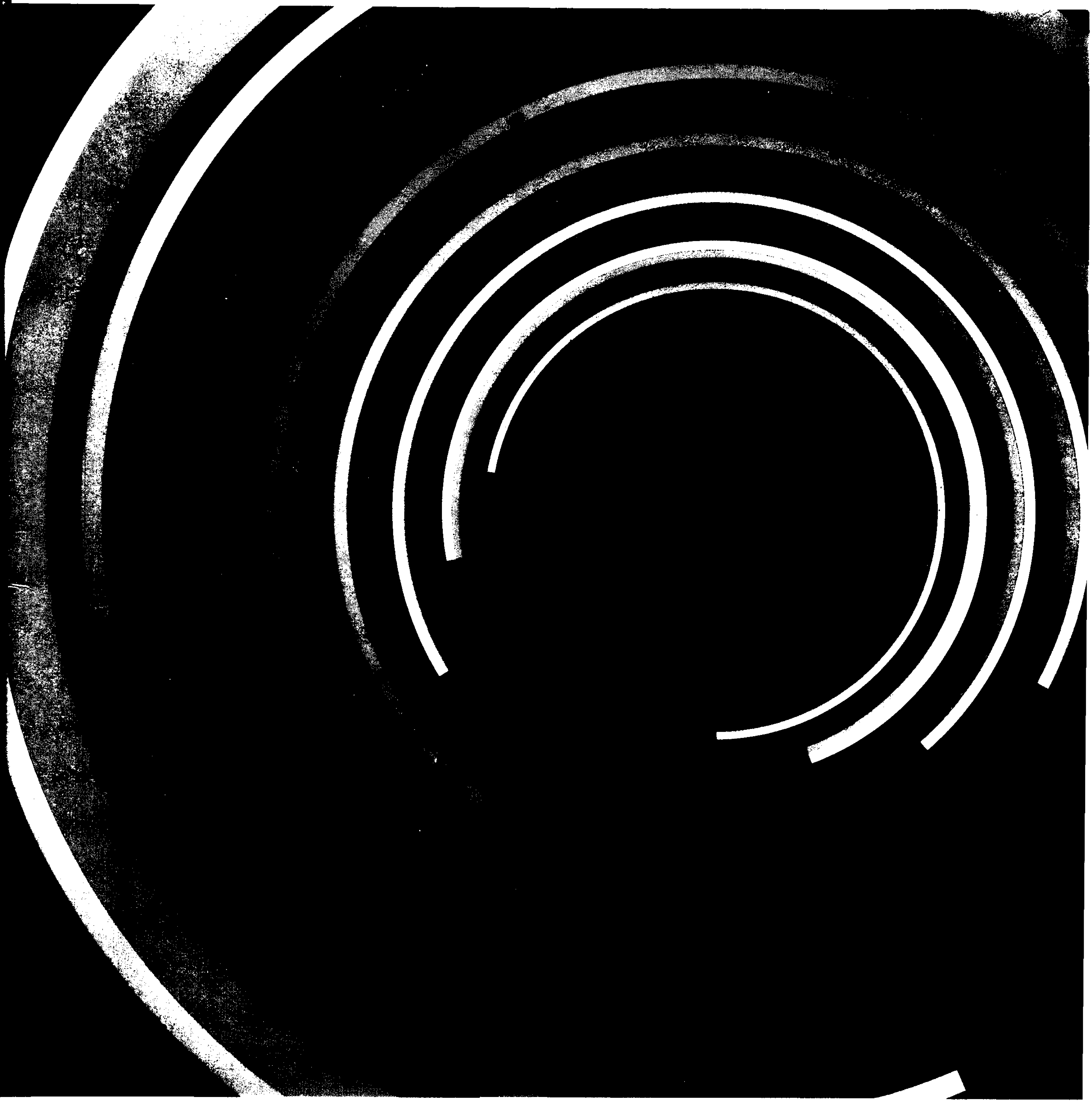

ANNUAL REPORT [illegible]

Chakwal Spinning Mills Limited

بسم الله الرحمن الرحيم

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Company Information

BOARD OF DIRECTORS

Khawaja Mohammad Jahangir	(Chief Executive)
Khawaja Mohammad Jawed	(Director)
Khawaja Mohammad Tanveer	(Director)
Khawaja Mohammad Kaleem	(Director)
Khawaja Mohammad Nadeem	(Director)
Mr. Mohammad Naveed	(Director)
Mr. Mohammad Aman	(Director)
Mr. Mohammad Tariq Sufi	(Independent Director)

AUDIT COMMITTEE

Mr. Mohammad Tariq Sufi	(Chairman)
Khawaja Mohammad Javed	(Member)
Mr. Mohammad Aman	(Member)

HR & REMUNERATION COMMITTEE

Khawaja Mohammad Javed	(Chairman)
Khawaja Mohammad Jahangir	(Member)
Khawaja Mohammad Tanveer	(Member)

COMPANY SECRETARY

Mr. Muhammad Jahangir Khan	BA (LLB), MBA, DTL, ACIS
jahangir@chakwalgroup.com.pk	

CHIEF FINANCIAL OFFICER

Mr. Muhammad Ashraf	(ACMA)

BANKERS

Habib Metro Bank Limited
Allied Bank of Pakistan
MCB Bank Limited
The Bank of Punjab
Meezan Bank Limited

AUDITORS

Aslam Malik & Co.
Chartered Accountants
Suite # 18-19,Ist Floor,
Central Plaza, Civic Centre,
New Garden Town, Lahore. Pakistan

CORPORATE & REGISTERED OFFICE

7/1-E-3 Main Boulevard Gulberg III, Lahore
Tel : (042) 35717510
Fax : (042) 35755760

SHARE REGISTRARS

Corp link (Pvt) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore
Tel : (042) 35839182
Fax : (042) 35869037

MILLS

49-Kilometer
Multan Road, Bhai Phero
Tel : (04943) 540083-4

Notice Of Annual General Meeting

Notice is hereby given that the 26th Annual General Meeting of **CHAKWAL SPINNING MILLS LIMITED** will be held on Thursday, October 31, 2013 at 10:00 a.m. at 7/1 - E-3, Main Boulevard Gulberg III, Lahore to deal with the following matters :-

ORDINARY BUSINESS:

1. To confirm the minutes of Annual General Meeting held on October 31, 2012.
2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2013 together with the reports of directors and auditors thereon.
3. To consider and, if thought fit, approve final cash dividend of 10% (Rs. 0.50 per ordinary share of Rs. 5/ each) held by the existing shareholders as recommended by the board of directors. This is in addition to the interim cash dividend of 5% (Rs.0.25 per ordinary share of Rs. 5/- each) already paid to the shareholders during the year.
4. To reappoint auditors for the year ending June 30, 2014 and to fix their remuneration.
5. To transact any other business with the permission of the chair.

BY ORDER OF THE BOARD

MUHAMMAD JAHANGIR KHAN
Company Secretary / General Manager (Legal)

Lahore:
October 09, 2013

NOTES:

1. The share transfer books of the Company will remain closed from October 24, 2013 to October 31, 2013 (both days inclusive).
2. A member entitled to attend the meeting may appoint another member as his/her proxy to attend the meeting of him/her behalf. Proxies in order to be effective must be received by the Company not later than 48 hours before the meeting.
3. The beneficial owner of the shares of the company in the central depository system of the CDC or his/her proxy entitled to attend this meeting shall produce his/her original CNIC or passport to prove the identity. CDC Account Holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.
4. Shareholders are requested to immediately notify the change in their address, if any, and also send copy of CNIC for filing annual return of company to our share registrar M/s Corplink (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel. 042-3583 9182.

Directors' Report to the Shareholders

The Directors of your company are pleased to present before you the Annual Report as well as Audited Financial Statements for the year ended June 30, 2013.

Performance of the company

During the period under review, the progress of your company remained very well. Both sales and net profit have increased tremendously. Sales revenue stood at Rs.2,74.832 million as compared to Rs.2,029.439 million for last year. By the grace of Almighty Allah, the company has achieved a milestone of export sale for Rs.1,711.188 million highest ever in the history of the company, compared to Rs.661.634 million during last year. The company earned gross profit of Rs.331.149 million as compared to Rs.160.989 million of previous year. The company registered a net profit of Rs.116.373 million as compared to the net profit of 36.516 million of last year. Increase in profitability is mainly attributed to higher export sale at better prices, stable cotton prices throughout the season and increasing demand of yarn in both international as well as local markets.

Increase in distribution cost as compared to last year was mainly due to higher export volume resulted to additional cost incurred on account of sea freight and other export related expenses. Increase in administrative cost was mainly due to sales tax amount of Rs.27.156 million deposited under protest. Although we managed to bring the finance cost down but there was a increase in operating expenses which was due to provision of Worker's profit Participation Fund.

BMR of plant and machinery

To ensure supply of premium quality yarn to our customers, continuous BMR of plant and machinery is required. For this purpose the company invested Rs.117.3044 in plant machinery, building and other assets and is currently in process of importing another winding machine. The management hopes that its efforts will prove fruitful and the growth as well as profitability will keep on increasing.

Dividend

The directors take great pleasure to recommend payment of final cash dividend of Rs. 0.50 (10%) per share for the year ended June 30, 2013 to the minority shareholders. This is in addition to interim cash dividend of Rs.0.25 (5%) per share already paid during the year. However, directors have foregone their right to receive the dividend.

Future outlook

The major factor hampering the performance of spinning industry is acute shortage of natural gas especially in the province of Punjab in addition to high power tariff. During the month of August 2013, the Government has increased electricity and gas rates and further increase specially in gas tariff is expected later during the year. Due to Government policies and measures, energy cost shall increase significantly during coming years. However, increasing demand of yarn, both in local as well as international markets is expected to continue in future. Cotton prices in local market are continuously rising since the start of season and have crossed the barrier of Rs.7,400/- per muand. However, the cotton experts are hopeful that production of cotton may achieve the targets and prices will be checked.

The directors wish to place on record their appreciation for the true efforts of the executives, officers, staff members and workers of the company in achieving the best possible results. They also thanks their shareholders, customers, banks and financial institutions for their continued support in smooth running of company's operations and are hopeful that their cooperation will be continued with the same spirit in the years to come.

Salient Aspects of Company's Control and Reporting System

The Company Complies with all the requirements of the Code of Corporate Governance as contained in the listing regulations of the Stock Exchanges. To fulfill this role, the Board is responsible to implement overall corporate governance in the company including approval of the strategic direction as recommended by the Management, approving and monitoring capital expenditure, appointing, removing and creating succession policies for the senior management, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and Management Information System. It is also responsible for approving and monitoring financial and other reporting. The Board has delegated responsibility for operation and administration of the company to the Chief Executive/ Managing Director. Responsibilities are delineated by formal authority delegations. The Board has constituted the following committees which work under the guidance of Board of Directors -

a) Audit Committee b) Human Resource Committee

Independent Director. The Board welcomed Mr. Mohammad Tariq Sufi who has been elected in EOGM held on March 04, 2013 as independent director on the board and appointed as Chairman of Audit Committee who has been elected.

Attendance of Meetings. During the year under review, attendance by each director is given below -

a) Board of Directors

	Name of Directors	No of Board Meetings held	attended
1.	Khawaja Mohammad Javed	4	4
2.	Khawaja Mohammad Jahangir	4	3
3.	Khawaja Mohammad Tanveer	4	4
4.	Khawaja Mohammad Kaleem	4	3
5.	Khawaja Mohammad Nadeem	4	4
6.	Mr. Mohammad Naveed	4	4
7.	Mr. Mohammad Aman	4	4
8.	Mr. Mohammad Tariq Sufi	4	1

b) Audit Committee

1.	Mr. Mohammad Tariq Sufi	5	1
2.	Khawaja Mohammad Javed	5	5
3.	Mr. Mohammad Aman	5	5

c) HR & Remuneration Committee

1.	Khawaja Mohammad Javed	5	5
2.	Khawaja Mohammad Jahangir	5	5
3.	Khawaja Mohammad Tanveer	5	5

All meetings of the Board met minimum quorum prescribed by the Code of Corporate Governance and also attended by the Chief Financial Officer and the Company Secretary, However the Board granted leave of absence to the directors who could not attend the meetings due to their pre-occupation.

Pattern of Share-Holding

The pattern of shareholding as on 30-06-2013 and its disclosure as per requirement of Code of Corporate Governance is annexed with this report;

Auditors

The present auditors Messrs. Aslam Malik & Co., Chartered Accountants will stand retired at the conclusion of the 26th Annual General Meeting. However, they have expressed their willingness for re-appointment. They have also been recommended by the Audit Committee as external Auditors till conclusion of 27th Annual General Meeting on existing terms and conditions.

Acknowledgement

The directors express their deep appreciation to valued shareholders, customers, suppliers and financial institutions / Governmental departments for their cooperation and Company's employees for their hard work and commitment which enabled the company to achieve good operational results.

The Board is of the opinion that with sustained efforts and ALLAH,s blessing, the company will remain on its way to success.

For and on behalf of the Board

Lahore
October 09, 2013

(KHAWAJA MOHAMMAD JAHANGIR)
Chief Executive

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No. 35 of listing regulations of both Karachi Stock Exchange and Lahore Stock 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.(CCG)

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

1. The company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes -

Category		Names
Independent Director	1.	Mr. Mohammad Tariq Sufi
Executive Directors	1.	Khawaja Mohammad Jahangir
	2.	Khawaja Mohammad Kaleem
Non Executive Directors	1.	Khawaja Mohammad Javed
	2.	Khawaja Mohammad Tanveer
	3.	Khawaja Mohammad Nadeem
	4.	Mr. Mohammad Naveed
	5.	Mr. Mohammad Aman

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

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred in the Board during the year.

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

6. The Board has developed a vision /mission statement, overall corporate strategy and 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 condition of employment of the Chief Executive and other working director(s) have been taken by the board/shareholders.

8. The meetings of the Board were presided over by the Chief Executive or in his absence other director elected by the board for this purpose. 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 Directors at Chakwal Spinning Mills Board are fully conversant with their duties and responsibilities as Director of corporate bodies. The Chief Executive recommends that the members of the Board should approach him, should they feel any necessity to conduct other orientation courses in this regard.

10. The Board has already approved appointment of Chief Financial Officer, Company Secretary and Internal Auditor, their remuneration and terms & conditions of employment.

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

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

13. The directors, CEO and 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 of three members, of whom all are non executive directors and the chairman of the committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of references 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 of three members, including the CEO and the non executive directors while the chairman of the committee is a non executive director.

18. The Board has set up an effective internal audit department which is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

19. The statutory auditors of the company have confirmed that they have been given 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 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. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.

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

Lahore
October 09, 2013

(KHAWAJA MOHAMMAD JAHANGIR)
Chief Executive

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

We have reviewed the Statement of Compliance with the best practices ("the statement") contained in the Code of Corporate Governance prepared by the Board of Directors of Chakwal Spinning Mills Limited ("the Company") to comply with the Listing Regulation of respective 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, sub- regulation (XIII-A) of listing regulations 35 (previously regulations No. 37) notified by The Karachi Stock Exchange Limited vide circular KSE/N-269 dated January 19,2009 requires the Company to place before the Boards of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

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

Lahore
Dated: October 09, 2013

Aslam Malik & Co.
Chartered Accountants

Audit Engagement Partner:
Mohammad Aslam Malik

AUDITORS' REPORT TO THE MEMBERS

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

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit include 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 book 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 account and are further in accordance with accounting policies consistently applied.

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

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

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

Lahore
Dated: October 09, 2013

Aslam Malik & Co.
Chartered Accountants

Audit Engagement Partner:
Mohammad Aslam Malik

Balance Sheet

	Note	2013 Rupees	2012 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital:			
100,000,000 (2012: 50,000,000of Rs.10/- each) ordinary shares of Rs.5/- each		500,000,000	500,000,000
Issued, subscribed and paid up share capital	3	200,000,000	400,000,000
Accumulated Profit /(loss)		199,007,489	(120,749,105)
		399,007,489	279,250,895
Surplus on Revaluation of Property, Plant and Equipment	4	54,804,506	58,749,253
Loan from directors (subordinated)	5	371,256,000	371,256,000
Non Current Liabilities			
Deferred liabilities	6	65,169,990	58,311,219
Current Liabilities			
Trade and other payables	7	409,929,618	381,348,151
Accrued mark- up	8	8,998,455	6,858,686
Short term borrowings	9	328,247,414	242,791,545
Provision for taxation	10	16,443,174	12,967,421
		763,618,661	643,965,803
Contingencies and Commitments	11	-	-
		1,653,856,646	1,411,533,169

The annexed notes 1 to 37 form an integral part of these financial statements.

Lahore
October 09, 2013

(Khawaja Mohammad Jahangir)
Chief Executive

AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	12	936,286,340	874,603,363
Capital Work In Progress - Building	13	564,470	-
		936,850,810	874,603,363
Long term loans	14	5,424,997	4,749,997
Long term deposits	15	6,357,191	5,605,449
		11,782,188	10,355,446
Current Assets			
Stores and spares	16	14,612,074	15,235,089
Stock in trade	17	367,498,693	275,735,171
Trade debts	18	104,670,793	139,661,197
Loans and advances	19	194,334,009	70,724,231
Trade deposits, prepayments, accrued interest and other receivables	20	23,380,429	22,587,169
Cash and bank balances	21	727,650	2,631,503
		705,223,648	526,574,360
		1,653,856,646	1,411,533,169

(Khawaja Mohammad Kaleem)
Director

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

	Note	2013 Rupees	2012 Rupees
Sales	22	2,741,831,972	2,029,439,318
Cost of sales	23	(2,410,682,473)	(1,868,450,385)
Gross Profit		331,149,499	160,988,933
Distribution cost	24	(67,580,564)	(23,614,445)
Administrative expenses	25	(83,251,488)	(45,245,921)
		(150,832,052)	(68,860,366)
Operating Profit		180,317,447	92,128,567
Finance cost	26	(36,160,280)	(39,642,812)
Other operating expenses	27	(7,860,460)	(3,475,964)
Other operating income	28	2,001,188	6,883,375
Profit before Taxation		138,297,895	55,893,166
Taxation	29	(21,924,876)	(19,376,775)
Profit after Taxation		116,373,019	36,516,391
Earnings per Share - Basic & Diluted	30	2.91	0.91

The annexed notes 1 to 37 form an integral part of these financial statements.

Lahore
October 09, 2013

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

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

	2013 Rupees	2012 Rupees
Profit after taxation	116,373,019	36,516,391
Other comprehensive income for the year	-	-
Total comprehensive Profit for the year	116,373,019	36,516,391

The annexed notes 1 to 37 form an integral part of these financial statements.

Lahore
October 09, 2013

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	138,297,895	55,893,166
Adjustments for:		
- Depreciation	54,901,845	51,099,048
- Provision for gratuity	8,005,070	6,710,976
- Gain on disposal of property, plant and equipment	(1,299,155)	(1,249,849)
- Interest income	-	(1,162,739)
- Unclaimed liabilities written back	(391,549)	(4,319,217)
- Finance cost	36,160,280	39,642,812
- Workers' (profit) participation fund	7,210,460	2,875,964
	104,586,950	93,596,995
Operating profit before working capital changes	242,884,845	149,490,161
- Stores and spares	623,015	143,890
- Stock in trade	(91,763,522)	44,539,232
- Trade debts	34,990,404	(50,969,001)
- Loans and advances	(111,368,784)	(20,955,470)
- Trade deposits, prepayments, accrued interest and other receivables	4,806,740	(7,828,522)
Increase / (decrease) in current liabilities		
- Trade and other payables	21,201,385	17,349,145
	(141,510,762)	(17,720,726)
Cash generated from operations	101,374,083	131,769,435
Finance cost paid	(34,020,512)	(42,772,574)
Gratuity paid	(4,146,299)	(5,443,943)
Long term advance	3,000,000	-
Income tax paid	(30,690,113)	(11,860,815)
Net cash from Operating Activities	35,517,158	71,692,103
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(117,304,678)	(77,656,749)
Capital Work n Progress	(564,470)	-
Long term loans	(675,000)	(1,971,497)
Long term Financing	-	(42,000,000)
Long term deposits	(751,742)	-
Proceeds from disposal of property, plant and equipment	2,019,010	1,675,000
Interest received	(5,600,000)	2,320,219
Net Cash used in Investing Activities	(122,876,880)	(117,633,027)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings	85,455,869	15,549,667
Net Cash from Financing Activities	85,455,869	15,549,667
Net Decrease in Cash and Cash Equivalents	(1,903,853)	(30,391,257)
Cash and cash equivalents at the beginning of the year	2,631,503	33,022,760
	727,650	2,631,503

The annexed notes 1 to 37 form an integral part of these financial statements.

Lahore
October 09, 2013

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

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

	Paid Up Share Capital	Accumulated (Loss)/ Profit	Total
	Rupees	Rupees	Rupees
Balance as at June 30, 2011	400,000,000	(160,614,173)	239,385,827
Profit for the year	-	36,516,392	36,516,392
Dividend		-	-
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year - net of deferred tax	-	3,348,676	3,348,676
Balance as at June 30, 2012	400,000,000	(120,749,105)	279,250,895
Reduction of share Capital	(200,000,000)	200,000,000	-
Profit for the year		116,373,019	116,373,019
Interim dividend declared		(561,171)	(561,171)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year - net of deferred tax		3,944,747	3,944,747
Balance as at June 30, 2013	200,000,000	199,007,489	399,007,489

The annexed notes 1 to [illegible] form an integral part of these financial statements

Lahore
October 09, 2013

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

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

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on January 31, 1988 as a Public Limited Company. Its shares are quoted on the Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at 7/1 E-3 Main Boulevard Gulberg III, Lahore. The Company is engaged in the business of textile spinning

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except certain property plant and equipment that have been stated at revalued amount and retirement benefits which have been recognized at present value determined by actuary.

2.3 Significant Accounting Judgments and Estimates

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. Estimate and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

Staff retirement benefits

Certain actuarial assumption has been adopted as disclosed in note 6.1 the financial statements for valuation of present value of defined benefit obligations.

Property, plant and equipment

The Company has made certain estimations with respect to residual value and depreciable lives of property, plant and equipment. The Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the remaining amounts of respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

Income Taxes

In making the estimates for income taxes payable by the Company the management considers curre Income Tax law and the decisions of appellate authorities on certain cases issued in past.

2.4 NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS THAT ARE EFFECTIVE FOR THE YEAR ENDED JUNE 30, 2013

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

Amendments to IAS 1 – Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	Effective from accounting period beginning on or after July 01, 2012

2.5 NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

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

Amendments to IAS 1 – Presentation of Financial Statements – Clarification of Requirements for Comparative information	Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 16 – Property, Plant & Equipment – Classification of servicing equipment	Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation – Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 32 Financial Instruments Presentation – Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2014
Amendments to IAS 34 – Interim Financial Reporting – Interim reporting of segment information for total assets and total liabilities	Effective from accounting period beginning on or after January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	Effective from accounting period beginning on or after January 01, 2013

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

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

The potential impact of standards, amendments and interpretations not yet effective on the financial statements on the Company is as follows:

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income.

2.6 Staff retirement benefits

The company operates an unfunded and unapproved gratuity scheme for its employees, which is a defined benefit plan based upon the last salary drawn by an employee. Present value of defined benefit obligation is calculated on the basis of actuarial valuation at the end of the year. The valuation in these accounts is worked out on the Projected Unit Credit Actuarial Cost method.

Actuarial gains/(losses) in excess of 10 percent of the present value of defined benefit obligation are recognized over the expected average future working lives of the employees participating in the scheme. Past service cost is recognized immediately to the extent the benefits already vested.

The amount recognized in the balance sheet represents the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

2.7 Provisions

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

2.8 Trade and other payables

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

2.9 Taxation

Current

Charge for taxable income is based at current tax rates after taking into account all tax credits and rebates available, if any. In case of taxable loss of minimum tax u/s 113 and presumptive tax u/s 154 of the Income Tax Ordinance is provided in the accounts.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets, as required by IAS-12 (Income Taxes), are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

2.10 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost / revalued amount less accumulated depreciation and identified impairment losses except free hold land that is stated at cost. Cost of property, plant and equipment consist of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in Note 12. Depreciation on all additions is charged from the month the asset is ready for the intended use and on disposals is charged upto the month in which the asset is disposed off

Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gain or loss on disposal of property, plant and equipment are included in the current year income.

Leased assets

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of such assets. The related obligations under the lease are accounted for at net present value of liabilities. The assets so acquired are depreciated over their expected useful life at the same rates and basis as of owned assets given in Note 12. The depreciation is charged to current year's income.

Capital work-in-progress

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

2.11 Impairment

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.

2.12 Stocks and stores

These are valued at lower of cost and net realisable value. Costs are determined using the following basis:

Stores and spare parts	- at moving average cost
Raw material	- at average cost
Work in process	- at manufacturing cost using average cost method
Finished goods	- at average manufacturing cost .
Goods in transit	- at cost comprising invoice value plus other charges incurred thereon.

Manufacturing cost in relation to work in process and finished goods comprises cost of material, labour and appropriate manufacturing overheads.

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

2.13 Trade debts

All outstanding receivables are reviewed at the balance sheet date. The Company recognizes and carries these receivables at original invoice amount less an allowance for any uncollectible amounts, if any. Bad debts, if any, are written off as incurred and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

2.14 Foreign currency transactions and translation

Transactions denominated in foreign currencies are initially recorded at Pak Rupees by applying the foreign exchange rate ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the balance sheet date except for balances covered under forward exchange contracts, which are converted at the contracted rates. Exchange differences are included in income currently.

2.15 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, cheques in hand and deposits with banks.

2.16 Financial instruments

Financial instruments are recognized in the financial statements when the Company becomes a party to the contract and ceases to recognize when it loses control of contractual rights, in case of financial assets, and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent remeasurement / derecognition is charged to income.

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

2.17 Related party transactions

Transactions with related parties are made at arm's length prices using comparable uncontrolled price method except in circumstances where it is not in the interest of the Company to do so.

2.18 Financial Assets and Liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and are de-recognized, in case of financial assets when the Company loses control of the contractual rights through either realization, surrender or expiration and in case of financial liability on extinguishments, discharge, cancellation or expiration of obligation specified in the contract.

Financial assets include investments, cash and bank balance, trade debts, advances, deposits and other receivables. Trade debts are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, while other financial assets are stated at cost. Any gain or loss on the recognition and derecognition of the financial assets is included in the net profit and loss for the period in which it arises.

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include creditors, accrued and other liabilities and unclaimed creditors. accrued and other liabilities and unclaimed dividend are stated at their nominal value. financial charges are accounted for on accrual basis. Any gain or loss on the recognition and derecognition of the financial liability is included in the net profit and loss for the period in which it arises.

2.19 Borrowing Cost

Borrowing costs are charged to income as and when incurred except to the extent costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of asset.

2.20 Offsetting of Financial Assets and Financial Liabilities

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

2.21 Dividend

Dividend distribution to the shareholders is recognized as a liability in the period in which it is approved by the shareholders.

2.22 Functional and presentation currency

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

2.23 Revenue recognition

- Revenue from local sales is recognized on despatch of goods to customers and from exports at the time of bill of lading.
- Dividend income is accounted for when the right to receive dividend has been established.
- Profit / interest is accounted for on accrual basis.
- Rebates are accounted for as and when allowed.

Note 3
Issued, Subscribed and Paid up Capital

2013	2012		2013	2012
No. of shares			Rupees	Rupees
40,000,000	40,000,000	Ordinary shares of Rs. 5 each (2012 Rs.10) fully paid in cash.	200,000,000	400,000,000

3.1 The paid up Capital of the company has been reduced to the extent of 50% i.e. Rs. 200 million by cancelling the issued and paid up capital of the company which has been lost are un- presented by its valuable assets as per orders of honorable Lahore High Court, Lahore vide CO No.54/2011 duly acknowledged by Securities and Exchange Commission of Pakistan.

3.2 Shares held by related parties are as follows:

	2013 No. of Shares	2012 No. of Shares
Naveed Industries (Private) Limited Percentage of equity held 0.625% (2012: 0.625%)	250,000	250,000

Note 4
Surplus on Revaluation of Property Plant and Equipment

		2013 Rupees	2012 Rupees
Plant and machinery			
Balance at the beginning of the year		58,749,253	63,135,579
Related deferred tax	4.1	(530,799)	(1,037,650)
Incremental depreciation charged on revalued plant and machinery in current year transferred to retained earnings		(3,413,948)	(3,348,676)
		54,804,506	58,749,253

4.1 This represents amount transferred (to)/from deferred tax liability due to change in proportion of local and export sales that has resulted in change in estimate of deferred tax on surplus on revaluation of property, plant and equipment.

4.2 Revaluation was carried out on May 18, 1996 by an independent valuer and certified by an independent firm of Chartered Accountants.

Note 5
Loan from related parties

	2013 Rupees	2012 Rupees
Loan from directors	371,256,000	371,256,000

5.1 The directors have injected unsecured and interest free loans for the repayment of liabilities of the banks and BMR of the Company. This loan shall be repaid after the repayment of liabilities of the banks or improvement in the financial position of the Company, whichever is earlier. ThIs loan is unsecured and interest free. This loan is subordinated to Habib Metro Bank ltd.