



ISHAQ



TEXTILE MILLS LIMITED



32nd Annual Report 2013

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Mission:

The mission of ISHAQ TEXTILE MILLS LIMITED is, recognition of its projects as the most modern unit, and to produce fine quality of product with the understanding of customer behavior. Build the Company on sound financial footings, increase earnings for handsome distribution of dividend of its shareholders, and to earn foreign exchange for the country.

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COMPANY INFORMATION

CHAIRMAN	Mr.Muhammad Arshad
CHIEF EXECUTIVE	Mr.Nisar Ahmad Sheikh
DIRECTORS	Mr.Muhammad Saeed Sheikh Mr.Amjad Saeed Mr.Shahzad Ahmad Sheikh Mr.Shehryar Arshad Mr.Aizad Amer Mrs.Zareen Akhtar
AUDIT COMMITTEE	
CHAIRMAN	Mr. Shehryar Arshad
MEMBER	Mr.Muhammad Saeed Sheikh
MEMBER	Mr.Amjad Saeed
HR & REMUNERATION COMMITTEE	
CHAIRMAN	Mr.Muhammad Arshad
MEMBER	Mr.Muhammad Saeed Sheikh
MEMBER	Mr.Shehryar Arshad
CHIEF FINANCIAL OFFICER	Mian Muhammad Tariq Iqbal
COMPANY SECRETARY	Mr.Muhammad Ikram Elahi
AUDITORS	Riaz Ahmad & Co. Chartered Accountants
BANKERS	Habib Bank Limited United Bank Limited Bank Alfalah Limited Faysal Bank Limited Bank Al-Habib Limited Al-Baraka Bank (Pakistan) Limited Habib Metropolitan Bank Limited
REGISTERED OFFICE	404-405, 4 th Floor, Business Centre, Mumtaz Hassan Road, Karachi. Tel. 021-32412814 <u>Web: www.arshadgroup.com</u>
SHARES REGISTRAR	Consulting One (Pvt) Limited, 478-D, Peoples Colony No.1, Faisalabad.
FACTORY	Sheikhupura Road, Tehsil Jaranwala, District Faisalabad.



NOTICE OF MEETING

Notice is hereby given that the 32nd Annual General Meeting of ISHAQ TEXTILE MILLS LIMITED will be held at Haji Abdullah Haroon Muslim Gymkhana (Auditorium), Aiwan-e-Saddar Road, Behind Shaheen Complex, Karachi-74200 on Thursday, October 31, 2013 at 11:30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 31st Annual General Meeting held on October 31, 2012.
2. To receive, consider and adopt the audited financial statements for the year ended June 30, 2013 together with the Auditors' and Directors' Reports there on.
3. To approve the payment of cash dividend @ 10% (Re.1.00 per share) on the ordinary share capital of the company as recommended by the Board of Directors except directors and sponsors of the company.
4. To appoint the auditors for the year 2013-2014 and to fix their remuneration. The present auditors M/S Riaz Ahmad & CO. Chartered Accountants, being eligible have offered themselves for re-appointment.

SPECIAL BUSINESS:

5. To fix the remuneration of the directors.
6. To approve the transactions with associated undertakings for the year ended on June 30, 2012.
7. To consider and approve the transactions of special and normal trade with associated undertakings for the year ended on June 30, 2013.

OTHER BUSINESS:

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

Karachi

Dated: October 08, 2013

Notes:

1. The Share Transfer Books of the Company will remain closed from October 24, 2013 to November 01, 2013 (both days inclusive). Transfers received at Shares Registrar M/S Consulting One (Pvt) Ltd., 478-D, Peoples Colony No.1, Faisalabad at the close of business hours on October 23, 2013 will be treated in time.

By order of the Board

Muhammad Ikram Elahi

(Company Secretary)



1. A member entitled to attend and vote at this general meeting is entitled to appoint another member as proxy. Proxies must be received in order to effective at the registered office of the Company not less than 48 hours before the time for the meeting.
2. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport to prove his/her identity and in case of Proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.
3. Shareholders are requested to notify the change in their addresses if any, immediately.

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 Annual General Meeting.

Transactions with Associates

- A. Company is doing transactions with associated companies of normal trade and the directors of the company are also directors in associated companies and therefore are common directors. On this ground they have indirect interest in associated undertakings due to common directorship. All the transactions with associates as disclosed in accounts for the year ended June 30, 2012 of the company seeks approval in Annual General Meeting and hence the notice of facts is given to shareholders.
- B. Company is doing transactions with associated companies of normal trade and the directors of the company are also directors in associated companies and therefore are common directors. On this ground they have indirect interest in associated undertakings due to common directorship. All the transactions with associates as mentioned hereunder for the year ended June 30, 2013 of the company seeks approval in Annual General Meeting and hence the notice of facts is given to shareholders.

Transactions with Associated Undertakings

	<u>2013</u>
	(Rupees in Thousand)
Purchase of goods	259,578
Fuel and power purchased	31,679
Processing and packing charges paid	190,438
Sale of goods	918,117
Doubling and conversion income	560
Sale of operating fixed assets	6000

DIRECTORS' REPORT TO THE SHARE HOLDERS

The Directors of your Company feel pleasure in submitting audited financial statements of your Company for the year ended June 30, 2013.

FINANCIAL RESULTS	2013	2012
	(Rupees in Thousand)	
Sales	3,731,271	3,748,190
Cost of sales	(3,334,671)	(3,386,042)
Gross profit	396,600	362,148
Distribution cost	(104,577)	(107,606)
Administrative expenses	(60,598)	(54,812)
Other operating expenses	(6,961)	(1,834)
	(172,136)	(164,252)
	224,464	197,896
Other operating income	6,788	4,903
Profit from operations	231,252	202,799
Finance cost	(139,632)	(168,522)
Profit before taxation	91,620	34,277
Taxation	(19,557)	(23,630)
Profit after taxation	72,063	10,647
Earnings per share - basic and diluted (Rupees)	7.46	1.10

REVIEW OF OPERATING RESULTS

During the year under review, sales proceeds were almost the same as compared to previous year. Gross profit was increased to 10.63% as compared to 9.66% in the previous corresponding year.

The industry has suffered due to interruption in supply of gas and electricity during the year. On the one hand production is badly suffered and on the other hand cost of production is increasing day by day.

FUTURE OUTLOOK

Prices of cotton are on higher side and prices of man made fibre have also increased almost 11% during the last three months. There is an abnormal increase in electricity rates. The process of Balancing, Modernization and Replacement (BMR) is completed and Blow Room, three high speed Cards and two Auto Winders have been added in the existing facilities. This machinery has started production and the Management has fully focused on quality products to fetch attractive prices in local as well as international markets.

REMUNERATION OF C.E.O. AND DIRECTOR

The Board of Directors has fixed the monthly remuneration of Chief Executive Officer Mr.Nisar Ahmad Sheikh Rs.150,000/- and Director Mr.Shahzad Ahmad Sheikh Rs.150,000/-. All other benefits will remain un-changed.

DIVIDEND

The directors of your Company are pleased to recommend a cash dividend @ Re.1.00 per share i.e. 10% except the directors, their spouses, family members and associates of the Company.

OUTSTANDING STATUTORY PAYMENTS

All outstanding payments are nominal and routine nature.

GRATUITY SCHEME

The Company operates unfunded gratuity scheme for its employees as referred in Note No.8 to the financial statements.

AUDITORS

The present Auditors M/S Riaz Ahmad & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment.

PATTERN OF SHAREHOLDING

Pattern of shareholding as on June 30, 2013 is annexed.

RELATED PARTY TRANSACTIONS

All transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable un-controlled price method. The Company has complied with best practices on transfer pricing as contained in listing regulations of the Stock Exchanges of Pakistan.

CORPORATE GOVERNANCE

The statement of compliance of best practices of Code of Corporate Governance is annexed.

CORPORATE AND FINANCIAL REPORTING FRAME WORK:

In compliance to listing regulations of stock exchanges and as required under the Companies Ordinance, 1984, your Directors are pleased to state as under:

1. The financial statements prepared by the Management of your Company present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates, which are based on reasonable and prudent judgment.
4. International Accounting 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 and monitored.
5. There is no doubt upon the Company's ability to continue as a going concern.
6. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
7. The value of investment in respect of Employees Provident Fund was Rs.11.878 million in 2013.
8. Key operating financial data of last six years in summarized form is annexed.

BOARD MEETINGS HELD:

During the period under review four (04) meetings of Board of Directors were held. Attendance of each director is as follows:

<u>NAME OF DIRECTOR</u>	<u>MEETINGS ATTENDED</u>
Mr. Nisar Ahmad Sheikh	04
Mr. Muhammad Arshad	04
Mr. Muhammad Saeed	04
Mr. M. Anwar Sajjad	02
Mr. Shahzad Ahmad Sheikh	03
Mr. Amjad Saeed	03
Mr. Shehryar Arshad	04
Mr. Aizad Amer	04
Mrs. Zareen Akhtar	01

Directors who did not attend the above meetings were granted leave of absence by the Board of Directors.

ACKNOWLEDGEMENT:

The Board places on record its appreciation for the cooperation, commitment and hard work extended to the Company by the customers, suppliers, bankers and all the employees of the Company.

On behalf of the Board



(Nisar Ahmad Sheikh)

Chief Executive

FAISALABAD.

Dated: October 08, 2013

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF
CORPORATE GOVERNANCE TO THE MEMBERS**

This statement is being presented to comply with the Code of Corporate Governance (CCG) as contained in the Listing Regulations of the Stock Exchanges of Pakistan 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 (The Board). At present the board includes:

Executive Directors

- i) Mr. Nisar Ahmad Sheikh
- ii) Mr. Shahzad Ahmad Sheikh
- iii) Mr. Aizad Amer

Non-Executive Directors

- i) Mr. Muhammad Arshad
- ii) Mr. Muhammad Saeed
- iii) Mr. Amjad Saeed
- iv) Mr. Shehryar Arshad
- v) Mrs. Zareen Akhtar

2. The Directors have confirmed that none of them is serving as a Director in 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 NBFIs or being a member of a Stock Exchange has been declared as a defaulter by that stock exchange.
4. A casual vacancy has occurred in the Board during the year ended 30 June 2013, which was filled by the Board of Directors as per provisions of Articles of Association of the Company and under the provisions of Companies Ordinance, 1984.
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 Chief Executive Officer, other executive and non-executive directors, have been taken by the Board.
8. All 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. The Board met at least once in every quarter during the year ended 30 June 2013 including once in every quarter to approve the financial statements of the Company. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days prior to the meetings. The minutes of the meetings were appropriately recorded and circulated in time.
9. Directors of the Company have participated in Orientation course at group level to apprise them of duties and responsibilities. Director(s), who have not participated in these, have been apprised and adequately briefed.

10. The Board has approved appointment of CFO/Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by the CEO.
11. The Directors' Report for the year ended 30 June 2013 has been prepared in compliance with the requirements of the CCG and it fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by the CEO and CFO before approval by 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, who are non-executive directors including the Chairman of the Committee.
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 framed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises 3 members, who are non-executive directors and the chairman of the committee is a non-executive director.
18. The Board has set-up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

By order of the Board



Nisar Ahmad Sheikh
Chief Executive Officer

Date: 08 October 2013

**KEY OPERATING & FINANCIAL DATA
FOR LAST SIX YEARS**

PARTICULARS	2013	2012	2011	2010	2009	2008
	(Rupees in Thousand)					
<u>FINANCIAL POSITION</u>						
Paid up capital	96,600	96,600	96,600	96,600	96,600	96,600
Share premium	17,250	17,250	17,250	17,250	17,250	17,250
Fixed assets at cost	1,805,257	1,511,009	1,490,470	1,482,528	1,460,924	1,450,360
Accumulated depreciation	859,297	811,855	759,620	703,368	644,164	580,806
Current assets	1,446,087	1,414,012	1,383,501	1,046,076	1,155,320	1,259,775
Current liabilities	1,308,931	1,297,014	1,219,159	964,863	1,156,218	1,255,416
<u>INCOME</u>						
Sales	3,731,271	3,748,190	4,210,345	3,196,504	2,389,314	2,199,001
Other income	6,788	4,903	4,080	3,085	8,976	2,495
Pre tax profit/(loss)	91,620	34,277	165,700	96,308	(20,646)	(14,630)
Taxation	19,557	23,630	46,240	50,424	2,245	4,674
<u>STATISTICS AND RATIOS</u>						
Pre tax profit/(loss) to sales %	2.45	0.91	3.94	3.01	(0.86)	(0.66)
Pre tax profit/(loss) to capital %	94.84	35.48	171.53	99.70	(21.37)	(15.14)
Current ratio	1:0.91	1:0.92	1:0.88	1:0.92	1:1	1:1
Paid up value per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
Earnings after tax per share (Rs.)	7.46	1.10	12.37	4.75	(2.37)	(2.00)
Cash dividend %	10.00	---	5.00	8.00	---	---
Break up value per share (Rs.)	58.35	50.53	49.31	36.95	31.96	34.10

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of ISHAQ TEXTILE MILLS LIMITED ("the Company") for the year ended 30 June 2013, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

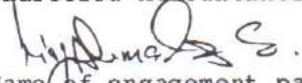
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance 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, 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, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

RIAZ AHMAD & COMPANY
Chartered Accountants


Name of engagement partner:
Muhammad Kamran Nasir
Date: October 08, 2013.
FAISALABAD

AUDITORS' REPORT TO THE MEMBERS

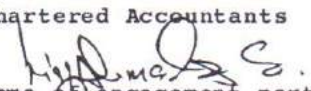
We have audited the annexed balance sheet of **ISHAQ TEXTILE MILLS LIMITED** as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and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

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

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

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

RIAZ AHMAD & COMPANY
Chartered Accountants


Name of engagement partner:
Muhammad Kamran Nasir
Date: October 08, 2013.
FAISALABAD



BALANCE SHEET AS AT 30 JUNE 2013

	NOTE	2013 (RUPEES IN THOUSAND)	2012 (RUPEES IN THOUSAND)	NOTE	2013 (RUPEES IN THOUSAND)	2012 (RUPEES IN THOUSAND)
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES						
Authorized share capital 10 000 000 (2012: 10 000 000) ordinary shares of Rupees 10 each		100,000	100,000		947,230	724,534
Issued, subscribed and paid up share capital	3	96,600	96,600	13	59	93
Reserves	4	467,013	391,474	14	6,831	853
Total equity		563,613	488,074	16	3,956	3,857
Surplus on revaluation of property, plant and equipment - net of deferred income tax	5	240,269	113,651		958,076	729,337
LIABILITIES						
NON-CURRENT LIABILITIES						
Long term financing	6	186,278	158,250	17	61,045	34,474
Deferred income tax liability	7	85,391	62,176	18	679,963	721,849
Staff retirement gratuity	8	19,691	24,184	19	542,722	549,549
		291,350	244,610	20	54,336	45,483
CURRENT LIABILITIES						
Trade and other payables	9	177,040	182,928	21	51,986	52,909
Accrued mark-up	10	27,709	26,684	22	55,657	9,388
Short term borrowings	11	1,009,879	987,577		1,446,067	1,414,012
Current portion of long term financing	6	66,961	63,000			
Provision for taxation		27,342	36,825			
TOTAL LIABILITIES		1,308,331	1,297,014			
		1,600,281	1,541,624			
CONTINGENCIES AND COMMITMENTS						
TOTAL EQUITY AND LIABILITIES	12	2,404,163	2,143,349		2,404,163	2,143,349

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


NISAR AHMAD SHEIKH
 Chief Executive Officer


MUHAMMAD ARSHAD
 Director

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

	NOTE	2013 (RUPEES IN THOUSAND)	2012
SALES	23	3,731,271	3,748,190
COST OF SALES	24	<u>(3,334,671)</u>	<u>(3,386,042)</u>
GROSS PROFIT		396,600	362,148
DISTRIBUTION COST	25	<u>(104,577)</u>	<u>(107,606)</u>
ADMINISTRATIVE EXPENSES	26	<u>(60,598)</u>	<u>(54,812)</u>
OTHER EXPENSES	27	<u>(6,961)</u>	<u>(1,834)</u>
		<u>(172,136)</u>	<u>(164,252)</u>
		224,464	197,896
OTHER INCOME	28	6,788	4,903
PROFIT FROM OPERATIONS		<u>231,252</u>	<u>202,799</u>
FINANCE COST	29	<u>(139,632)</u>	<u>(168,522)</u>
PROFIT BEFORE TAXATION		<u>91,620</u>	<u>34,277</u>
TAXATION	30	<u>(19,557)</u>	<u>(23,630)</u>
PROFIT AFTER TAXATION		<u><u>72,063</u></u>	<u><u>10,647</u></u>
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	31	<u><u>7.46</u></u>	<u><u>1.10</u></u>

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



NISAR AHMAD SHEIKH
Chief Executive Officer



MUHAMMAD ARSHAD
Director



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

	2013 (RUPEES IN THOUSAND)	2012 (RUPEES IN THOUSAND)
PROFIT AFTER TAXATION	72,063	10,647
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	72,063	10,647

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

NISAR AHMAD SHEIKH
Chief Executive Officer

MUHAMMAD ARSHAD
Director



**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013**

	NOTE	2013 (RUPEES IN THOUSAND)	2012 (RUPEES IN THOUSAND)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	300,897	151,207
Finance cost paid		(138,495)	(160,668)
Income tax paid		(37,645)	(43,422)
Staff retirement gratuity paid		(14,418)	(5,856)
Workers' profit participation fund paid		(1,886)	(9,748)
Workers' welfare fund paid		-	(1,974)
Dividend paid		-	(743)
Net decrease / (increase) in long term loans		34	(12)
Net increase in long term deposits and prepayments		(99)	(79)
NET CASH GENERATED FROM / (UTILIZED IN) OPERATING ACTIVITIES		108,388	(71,295)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(124,610)	(46,861)
Proceeds from sale of property, plant and equipment		13,700	881
Investments made		(5,500)	(825)
NET CASH USED IN INVESTING ACTIVITIES		(116,410)	(46,805)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		100,000	10,500
Repayment of long term financing		(68,011)	(90,000)
Short term borrowings - net		22,302	174,361
NET CASH FROM FINANCING ACTIVITIES		54,291	94,861
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		46,269	(23,239)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		9,388	32,627
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 22)		55,657	9,388

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

NISAR AHMAD SHEIKH
Chief Executive Officer

MUHAMMAD ARSHAD
Director

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

	RESERVES			TOTAL	TOTAL EQUITY
	CAPITAL RESERVE	REVENUE RESERVE	TOTAL		
	Share premium	Unappropriated profit			
----- (RUPEES IN THOUSAND) -----					
Balance as at 30 June 2011	96,600	17,250	362,513	379,763	476,363
Transaction with owners - Final dividend for the year ended 30 June 2011 at the rate of Rupees 0.50 per share	-	-	(776)	(776)	(776)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	1,840	1,840	1,840
Profit for the year	-	-	10,647	10,647	10,647
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	10,647	10,647	10,647
Balance as at 30 June 2012	96,600	17,250	374,224	391,474	488,074
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	3,476	3,476	3,476
Profit for the year	-	-	72,063	72,063	72,063
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	72,063	72,063	72,063
Balance as at 30 June 2013	96,600	17,250	449,763	467,013	563,613

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

NISAR AHMAD SHEIKH
Chief Executive Officer

MUHAMMAD ARSHAD
Director



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

1. THE COMPANY AND ITS OPERATIONS

Ishaq Textile Mills Limited (the Company) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and is listed on Karachi and Lahore Stock Exchanges in Pakistan. Its registered office is situated at Room No. 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi. The mill is located at Tehsil Jaranwala, District Faisalabad, in the Province of Punjab. The principal activity of the Company is manufacturing, sale and trading of yarn and cloth.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) 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 (IFRSs) issued by 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.

b) Accounting convention

These financial statements have been prepared under the historical cost convention, except for the recognition of staff retirement benefits on the basis of actuarial valuation and certain operating fixed assets measured at revalued amounts.

c) Critical accounting estimates and judgments

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

Employee retirement benefits

The cost of the defined benefit plans is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Provision for doubtful debts

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

d) Amendments to published approved standards that are effective in current year and are relevant to the Company

Following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2012:

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments does not address which items are presented in OCI. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

e) Amendments to published approved standards that are effective in current year but not relevant to the Company

There are other amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2012 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) **Standards and amendments to published approved standards that are not yet effective but relevant to the Company**

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2013 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The IASB has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments are not expected to have a material impact on the Company's financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IAS 19 (Amendments) 'Employee Benefits' (effective for annual periods beginning on or after 01 January 2013). The amendments have eliminated the corridor approach which permitted to recognize actuarial gains / losses in profit and loss account using the corridor method, whereby actuarial gains / losses are recognized when the cumulative unrecognized amount thereof at the beginning of the year exceeds the corridor limit, where corridor limit has been prescribed as 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets. Pursuant to this change, effective from the next accounting year, the Company will be required to recognize immediately all actuarial gains or losses in other comprehensive income and past service cost in profit and loss account.

The adoption of the aforesaid amendment in IAS 19 'Employee Benefits' will result in change in the Company's accounting policy related to recognition of actuarial gains and losses and past service cost pertaining to employees retirement gratuity.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 – 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial Instruments: Presentation', that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

g) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Property, plant, equipment and depreciation

Operating fixed assets

All operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except those subject to revaluation which are stated at revalued amount less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss. Capital work-in-progress is stated at cost less any identified impairment losses and is transferred to the operating fixed assets as and when asset is available for use. Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to the construction / erection period of qualifying assets and other directly attributable cost of bringing the asset to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Increase in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of property, plant and equipment to unappropriated profit. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred taxation.

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 13.1.1 and Note 13.1.2. The Company charges the depreciation on additions from the month when the asset is available for use and on deletions upto the month when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

2.3 Investments

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

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments.

2.3.1 Investment at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

2.3.2 Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

2.3.3 Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available for sale. After initial recognition, investments which are classified as available for sale are measured at fair value. Gains or losses on available for sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted

The investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, subsequent to after initial recognition are carried at cost less any identified impairment loss.

2.4 Impairment

The carrying amounts of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

2.5 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

2.6 Inventories

Inventories, except for stock in transit and waste materials, are stated at lower of cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale. Cost is determined as follows:

Stores, spare parts and loose tools

Usable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items-in-transit are stated at invoice amount plus other charges paid thereon.

Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw materials	
In hand	Weighted average cost.
In transit	Materials in transit are valued at cost comprising invoice value plus other charges paid thereon.
Work-in-process	Cost of direct materials, labour and appropriate manufacturing overheads.
Finished goods	Cost of direct materials, labour and appropriate manufacturing overheads.
Waste	Net realizable value.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.8 Staff retirement benefits

The main features of the funds operated by the Company for its employees are as follows:

a) Gratuity

The Company operates defined benefit plan - unfunded gratuity scheme for all its employees except the employees at Head Office, who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Actuarial Cost Method.

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses.

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

Details of the scheme is given in Note 8 to these financial statements.

b) Employees' Provident Fund

The Company maintains provident fund for its permanent employees at Head Office. Equal monthly contributions are made to the fund both by the Company and the employees at the rate of 8.25 percent of the basic salary. Obligation for contributions to the fund are recognized as an expense in the profit and loss account when they are due.

2.9 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.10 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

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 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.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.11 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.12 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

2.13 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long term financing, accrued mark-up, trade and other payables and short term borrowings etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instrument at fair value through profit or loss' which are measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the profit and loss account. The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item and in the accounting policy of investments.

2.14 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.15 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

2.16 Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.17 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on dispatch of goods to customers.
- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.18 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.



2.19 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has two reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibres) and Weaving (Producing different quality of greige fabric using yarn).

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2013 (NUMBER OF SHARES)	2012		2013 (RUPEES IN THOUSAND)	2012
9 060 000	9 060 000	Ordinary shares of Rupees 10 each fully paid in cash	90,600	90,600
600 000	600 000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	6,000	6,000
<u>9 660 000</u>	<u>9 660 000</u>		<u>96,600</u>	<u>96,600</u>

4. RESERVES

Composition of reserves is as follows:

Capital reserve			
Share premium (Note 4.1)		17,250	17,250
Revenue reserve			
Unappropriated profit		449,763	374,224
		<u>467,013</u>	<u>391,474</u>



- 4.1 This reserve can be utilized by the Company only for the purpose specified in section 83(2) of the Companies Ordinance, 1984.

	2013 (RUPEES IN THOUSAND)	2012 (RUPEES IN THOUSAND)
5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED INCOME TAX		
Surplus on revaluation of property, plant and equipment as at 01 July	113,651	115,491
Net increase in surplus on revaluation of property, plant and equipment - net of deferred income tax	131,042	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred income tax	(3,476)	(1,840)
Adjustment of surplus on sale of plant and machinery - net of deferred income tax	(948)	-
	240,269	113,651

- 5.1 Freehold land, building thereon, plant and machinery, electric installations / appliances, generators and laboratory equipment of Spinning section were revalued by an independent valuer, Messrs Creative Consultants and Construction on 28 June 2013 on the basis of depreciated replacement values. Previously, these assets were revalued by independent valuers on 30 September 2001, 01 July 2003 and 10 April 2007.

6. LONG TERM FINANCING

Secured

Financing from banking companies (Note 6.1)	154,239	116,750
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Unsecured

Directors' loan (Note 6.2)	99,000	104,500
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	253,239	221,250
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Less: Current portion shown under current liabilities	66,961	63,000
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	186,278	158,250
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6.1

LENDER	FACILITY	2013	2012	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
(RUPEES IN THOUSAND)								
United Bank Limited	Demand Finance	6,250	31,250	3 months KIBOR + 2% per annum	Twelve equal quarterly installments commenced on 09 December 2010 and ending on 09 September 2013.	Quarterly	Quarterly	First joint pari passu charge of Rupees 107 million over fixed assets of the Company with 25% margin.
Habib Bank Limited	Term Finance	47,989	85,500	3 months KIBOR + 2.50% per annum	Twenty equal quarterly installments commenced on 28 November 2009 and ending on 28 August 2014.	Quarterly	Quarterly	First joint pari passu charge on fixed assets of the Company for an amount of Rupees 115 million and personal guarantees of two directors of the Company.
Habib Bank Limited	Fixed Assets Finance	100,000	-	3 months KIBOR + 2.25% per annum	Eighteen equal quarterly installments to be commenced on 08 August 2013 and ending on 08 November 2017.	Quarterly	Quarterly	First joint pari passu charge over fixed assets of the Company for Rupees 134 million and personal guarantee of sponsor directors of the Company.
6.2 Directors' Loan		154,239	116,750					

This represents interest free loan from the directors of the Company with no defined future settlement date. However, it is confirmed by the lenders that repayment would not be demanded within next twelve months from the balance sheet date. Due to indefinite repayment terms, the fair value of the carrying amount of such financing from directors under IAS-39 is impracticable. Out of this loan, an amount of Rupees 91,500 million (2012: Rupees 91,500 million) is subordinated to the bank borrowings.

	2013 (RUPEES IN THOUSAND)	2012
7. DEFERRED INCOME TAX LIABILITY		
This comprises the following:		
Taxable temporary difference		
Accelerated tax depreciation	102,903	70,706
Deductible temporary differences		
Staff retirement gratuity	(3,243)	(4,440)
Unused tax losses	-	(4,090)
Tax credits	(14,269)	-
	(17,512)	(8,530)
	<u>85,391</u>	<u>62,176</u>
8. STAFF RETIREMENT GRATUITY		
8.1 General description		
This scheme provides terminal benefits for all permanent employees of the Company except for the employees at Head Office, who attains the minimum qualifying period. Annual charge is based on actuarial valuation, carried out as at 30 June 2013 using Projected Unit Credit Actuarial Cost Method. The Company has curtailed the staff retirement gratuity subsequently after the year end and transferred all its employees to provident fund scheme.		
8.2 The amount included in the balance sheet is as follows:		
Present value of obligation (Note 8.3)	19,681	24,536
Unrecognized actuarial loss	-	(352)
	<u>19,681</u>	<u>24,184</u>
8.3 Movement in present value of defined benefit obligation		
Balance as at 01 July	24,536	19,125
Charge for the year (Note 8.4)	9,915	11,267
Retirement benefits paid	(14,418)	(5,856)
Actuarial loss on present value recognized	(352)	-
Balance as at 30 June	<u>19,681</u>	<u>24,536</u>
8.4 Charge for the year		
Current service cost	11,064	8,589
Interest cost	3,435	2,678
Actuarial gain charge for the year	(4,584)	-
	<u>9,915</u>	<u>11,267</u>
8.5 Movement in the net liability recognized		
Opening liability	24,184	18,773
Expenses recognized	9,915	11,267
Paid during the year	(14,418)	(5,856)
	<u>19,681</u>	<u>24,184</u>



	2013	2012
8.6 Principal actuarial assumptions used		
Discount factor used (% per annum)	10.50	14
Expected rate of increase in salaries (% per annum)	9.50	13
Expected remaining working life time of employees (years)	5	4

8.7 Trend information

	2013	2012	2011	2010	2009
----- (RUPEES IN THOUSAND) -----					
Present value of defined benefit obligation	19,681	24,536	19,125	15,503	15,363
Experience adjustment on obligation	-	(352)	(352)	1,377	1,377

2013
2012
(RUPEES IN THOUSAND)

9. TRADE AND OTHER PAYABLES

Creditors (Note 9.1)	74,539	99,554
Accrued liabilities (Note 9.2)	84,390	68,284
Advances from customers	9,107	12,404
Income tax deducted at source	14	222
Sales tax deducted at source	1,190	-
Unclaimed dividend	675	675
Security deposits - Interest free	515	15
Payable to Employees' Provident Fund Trust	794	-
Workers' profit participation fund (Note 9.3)	4,877	1,774
Workers' welfare fund	939	-
	177,040	182,928

9.1 This includes Rupees 13.750 million (2012: Rupees 15.855 million) due to associated undertakings.

9.2 This includes Rupees 3.698 million (2012: Rupees Nil) due to an associated company.

9.3 Workers' profit participation fund

Balance as on 01 July	1,774	8,918
Add: Provision for the year (Note 27)	4,877	1,774
Interest for the year (Note 29)	112	830
	6,763	11,522
Less: Payments during the year	1,886	9,748
Balance as on 30 June	4,877	1,774

9.3.1 The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

10. ACCRUED MARK-UP

Long term financing	4,218	3,025
Short term borrowings	23,491	23,659
	27,709	26,684

	2013	2012
	(RUPEES IN THOUSAND)	
11. SHORT TERM BORROWINGS		
From banking companies:		
Secured		
Running and cash finances (Note 11.1)	341,172	290,951
Export finances (Note 11.2)	668,684	696,603
Unsecured		
Temporary bank overdraft	23	23
	1,009,879	987,577

11.1 These finances are obtained from banking companies under mark up arrangements and secured against hypothecation of stocks and further secured against the pledge of cotton, polyester and yarn. These form part of total credit facility of Rupees 695 million (2012: Rupees 890 million). The rates of mark-up range from 11.04% to 15.00% (2012: 13.90% to 16.62%) per annum on the balance outstanding.

11.2 These finances are obtained from banking companies under mark-up arrangements and secured against lien on export documents, hypothecation of stock in trade, charge over book debts and first pari passu charge over fixed assets of the Company. These form part of total credit facility of Rupees 1,275 million (2012: Rupees 1,215 million). The rates of mark-up range from 4.40% to 13.98% (2012: 3.32% to 15.51%) per annum on the balance outstanding.

12. CONTINGENCIES AND COMMITMENTS

a) Contingencies

i) The Company is contingently liable for Rupees 2.100 million (2012: Rupees 1.850 million) to Director Excise and Taxation on account of import duty.

ii) Guarantees of Rupees 26.942 million (2012: Rupees 28.365 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited (SNGPL) against gas connections and Faisalabad Electric Supply Company (FESCO) against electricity connection.

iii) Post dated cheques of Rupees 8.409 million (2012: Rupees Nil) are issued to custom authorities in respect of duties on imported material availed on the basis of consumption and export plans. If documents of exports are not provided on due dates, cheques issued as security shall be encashable.

b) Commitments

i) Letters of credit for capital expenditure are of Rupees 3.063 million (2012: Rupees 7.702 million).

ii) There was no letter of credit or contract other than for capital expenditure (2012: Rupees 37.928 million).

13. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets

Spinning Section (Note 13.1.1)	650,506	374,705
Weaving Section (Note 13.1.2)	295,454	324,450
Capital work-in-progress (Note 13.3)	1,270	25,379
	947,230	724,534



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

	2013	2012
Cost of sales (Note 24)	49,199	50,621
Administrative expenses (Note 26)	2,289	2,414
	<u>51,488</u>	<u>53,035</u>

13.2 Detail of operating fixed assets disposed of during the year is as follows:

Description	Qty.	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchasers
----- (RUPEES IN THOUSAND) -----								
Doubling Machinery	1	6,540	1,542	4,998	6,000	1,002	Negotiation	Arshad Textile Mills Limited (Associated company)
Comber Machines	1	5,600	1,428	4,172	4,200	28	Negotiation	Muhammad Khan, Dar-Ul-Ehsan, Samundari Road, Faisalabad
Cards Howa & Comber Lap Former Model 1988	2	2,450	625	1,825	2,000	175	Negotiation	Rana Dilbar Mahmood, Jaranwala Road, Khurrianwala
Machinery Scutcher, B/Plucker & Roving Opener	3	1,770	451	1,319	1,500	181	Negotiation	Abdul Majid Mughal, Gao Shala Chowk, Dijkot Road, Faisalabad
		<u>16,360</u>	<u>4,046</u>	<u>12,314</u>	<u>13,700</u>	<u>1,386</u>		

13.3 Capital work-in-progress

	2013	2012
Plant and machinery	1,270	25,379
Generator	1,270	-
	<u>1,270</u>	<u>25,379</u>

13.4 Borrowing cost of Rupees 2,660 million (2012: Rupees Nil) was capitalized during the year using the capitalization rate ranging from 11.49 % to 11.56 % per annum (2012: Nil).

- 13.5 Had there been no revaluation, cost, accumulated depreciation and book value of the revalued assets as at 30 June 2013 would have been as follows:

	Cost	Accumulated depreciation	Net book value
----- (RUPEES IN THOUSAND) -----			
Freehold land	943	-	943
Buildings on freehold land:			
Mills	26,572	18,905	7,667
Other	7,441	6,439	1,002
Plant and machinery	520,690	167,384	353,306
Electric installations / appliances	6,758	2,826	3,932
Generators	3,407	2,125	1,282
Laboratory equipment	10,508	5,413	5,095
	576,319	203,092	373,227

2013 2012
(RUPEES IN THOUSAND)

14. LONG TERM INVESTMENTS

Held-to-maturity

Izafa certificates (Note 14.1)	825	825
Term deposit receipt (Note 14.2)	5,500	-
	6,325	825
Interest / profit accrued (Note 14.3)	506	28
	6,831	853

- 14.1 These certificates were issued by Habib Metropolitan Bank Limited on 16 April 2012 with the maturity period of six years. Rate of interest is 16.67 (2012: 16.67) percent per annum. These investments are under lien against bank guarantee issued by the Bank to Sui Northern Gas Pipelines Limited.

- 14.2 This represents deposit with National Bank of Pakistan made on 16 August 2012 having maturity period of 36 months. Rate of profit is 7.10 percent per annum (2012: Nil).

14.3 Interest accrued

Balance as on 01 July	28	-
Interest / profit accrued during the year	478	28
	506	28

15. LONG TERM LOANS

2013 2012
(RUPEES IN THOUSAND)

Considered good:

Executive - secured (Note 15.1 and Note 15.2)
Other employees - secured (Note 15.2)

	76	-
	127	237
	203	237

Less: Current portion shown under current assets

Executive
Other employees

	48	-
	96	144
	144	144
	59	93

15.1 Reconciliation of carrying amount of loan to executive:

Balance as on 01 July
Add: Disbursement

	-	-
	76	-
	76	-

Less: Repayment

Balance as on 30 June

	-	-
	76	-
	76	-

15.1.1 Maximum aggregate balance due from executive at the end of any month during the year was Rupees 0.076 million (2012: Rupees Nil).

15.2 These represent interest free loans given to employees for meeting their personal expenditure and are secured against balance to the credit of employees in retirement benefits. These are recoverable in equal monthly installments.

15.3 The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of staff loans is not considered material and hence not recognized.

2013 2012
(RUPEES IN THOUSAND)

16. LONG TERM DEPOSITS AND PREPAYMENTS

Long term deposits
Long term prepayments

	3,895	3,736
	164	241
	4,059	3,977

Less: Current portion shown under current assets

	103	120
	3,956	3,857
	3,956	3,857

17. STORES, SPARE PARTS AND LOOSE TOOLS

Stores
Spare parts (Note 17.1)
Loose tools

	10,575	9,463
	50,294	24,831
	176	180
	61,045	34,474
	61,045	34,474

17.1 These include spare parts in transit of Rupees 0.699 million (2012: Rupees Nil).



	2013	2012
	(RUPEES IN THOUSAND)	
18. STOCK IN TRADE		
Raw materials	248,201	179,700
Work-in-process	53,189	31,214
Finished goods	378,573	510,935
	<u>679,963</u>	<u>721,849</u>
18.1	Stock in trade of Rupees 3.922 million (2012: Rupees 1.536 million) is being carried at net realizable value.	
19. TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	158,915	277,391
Unsecured		
- Related parties (Note 19.1 and Note 19.3)	163,209	59,426
- Others (Note 19.2)	220,598	212,732
	<u>542,722</u>	<u>549,549</u>
19.1	This represents amounts due from the following related parties:	
Arshad Corporation (Private) Limited	163,209	57,218
Arshad Textile Mills Limited	-	563
Kiran Traders	-	1,619
Ideal Energy Limited	-	26
	<u>163,209</u>	<u>59,426</u>
19.2	As at 30 June 2013, trade debts due from other than related parties of Rupees 96.494 million (2012: Rupees 173.728 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:	
Upto 1 month	56,666	5,751
1 to 6 months	35,186	5,713
More than 6 months	4,642	162,264
	<u>96,494</u>	<u>173,728</u>
19.3	As at 30 June 2013, trade debts due from related parties amounting to Rupees 162.240 million (2012: Rupees 47.611 million) were past due but not impaired. The ageing analysis of these trade debts is as follows:	
Upto 1 month	40,818	30,272
1 to 6 months	121,422	2,541
More than 6 months	-	14,798
	<u>162,240</u>	<u>47,611</u>



	2013	2012
	(RUPEES IN THOUSAND)	
20. LOANS AND ADVANCES		
Considered good:		
Employees - interest free		
– Executives	-	180
– Other employees	615	565
	<u>615</u>	<u>745</u>
Current portion of long term loans (Note 15)	144	144
Advances to suppliers / service providers (Note 20.1)	11,381	2,852
Letters of credit	24	118
Income tax	42,172	41,197
Other advances	-	427
	<u>54,336</u>	<u>45,483</u>
20.1	This includes amount of Rupees 4.198 million (2012: Rupees Nil) due from Arshad Corporation (Private) Limited, a related party.	
21. OTHER RECEIVABLES		
Considered good:		
Export rebate and claims	11,689	13,377
Sales tax and special excise duty	37,231	35,758
Income tax refundable	3,014	3,014
Miscellaneous	52	760
	<u>51,986</u>	<u>52,909</u>
22. CASH AND BANK BALANCES		
With banks:		
On current accounts	55,184	8,833
On PLS saving accounts	10	18
	<u>55,194</u>	<u>8,851</u>
Cash in hand	463	537
	<u>55,657</u>	<u>9,388</u>
23. SALES		
Local (Note 23.1)	2,438,939	2,374,920
Export (Note 23.3)	1,286,639	1,366,977
Export rebate	5,693	6,293
	<u>3,731,271</u>	<u>3,748,190</u>

2013 2012
(RUPEES IN THOUSAND)

23.1 Local sales

Sales		
Yam	1,485,790	1,429,680
Cloth (Note 23.2)	940,146	904,253
Waste	20,970	34,105
	2,446,906	2,368,038
Less: Sales tax	8,527	2,236
	<u>2,438,379</u>	<u>2,365,802</u>
Doubling income	560	9,118
	<u>2,438,939</u>	<u>2,374,920</u>

23.2 This includes sale of Rupees 446.807 million (2012: Rupees 611.752 million) made to direct exporter against Special Purchase Order (SPO).

23.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rupees 46.762 million (2012: Rupees 63.168 million) has been included in export sales.

24. COST OF SALES

Raw materials consumed (Note 24.1)	2,205,726	2,366,617
Cloth and yarn purchased	131,092	132,332
Processing charges	237,096	225,758
Sizing and beam filing	36,898	41,334
Loading and unloading charges	6,853	7,403
Salaries, wages and other benefits	168,557	136,963
Staff retirement benefits	12,369	8,259
Stores, spare parts and loose tools consumed	56,404	56,341
Packing materials consumed	23,046	23,237
Repair and maintenance	4,413	6,126
Fuel and power	287,146	256,788
Insurance	3,560	3,382
Other factory overheads	1,925	1,387
Depreciation (Note 13.1.3)	49,199	50,621
	<u>3,224,284</u>	<u>3,316,548</u>
Work-in-process		
Opening stock	31,214	32,506
Closing stock	(53,189)	(31,214)
	<u>(21,975)</u>	<u>1,292</u>
Cost of goods manufactured	3,202,309	3,317,840
Finished goods		
Opening stock	510,935	579,137
Closing stock	(378,573)	(510,935)
	<u>132,362</u>	<u>68,202</u>
Cost of sales	<u>3,334,671</u>	<u>3,386,042</u>



	2013	2012
	(RUPEES IN THOUSAND)	
24.1 Raw materials consumed		
Opening stock	179,700	121,161
Add: Purchased during the year	<u>2,274,227</u>	<u>2,425,156</u>
	2,453,927	2,546,317
Less: Closing stock	248,201	179,700
	<u>2,205,726</u>	<u>2,366,617</u>
25. DISTRIBUTION COST		
Outward freight and handling	37,684	34,247
Commission to selling agents	56,053	64,362
Shipping and other expenses	9,275	7,402
Local freight	1,565	1,595
	<u>104,577</u>	<u>107,606</u>
26. ADMINISTRATIVE EXPENSES		
Salaries and other benefits	32,383	28,200
Directors' remuneration	4,320	3,030
Staff retirement benefits	1,481	3,525
Rent, rates and taxes	3,206	190
Insurance	618	542
Travelling and conveyance	3,224	3,227
Vehicles' running	5,439	3,933
Entertainment	653	460
Auditors' remuneration (Note 26.1)	525	525
Advertisement	33	130
Postage and telephone	2,002	1,912
Printing and stationery	978	1,081
Repair and maintenance	211	212
Fee and subscription	2,280	2,214
Legal and professional	191	-
Miscellaneous	765	3,217
Depreciation (Note 13.1.3)	2,289	2,414
	<u>60,598</u>	<u>54,812</u>
26.1 Auditors' remuneration:		
Audit fee	500	500
Half yearly review	25	25
	<u>525</u>	<u>525</u>
27. OTHER EXPENSES		
Workers' profit participation fund (Note 9.3)	4,877	1,774
Workers' welfare fund	939	-
Debit balances written off	1,145	-
Donations	-	60
	<u>6,961</u>	<u>1,834</u>

	2013 (RUPEES IN THOUSAND)	2012
28. OTHER INCOME		
Income from financial assets		
Interest / profit on long term investments	478	28
Income from non-financial assets		
Reversal of workers' welfare fund	-	1,408
Gain on sale of property, plant and equipment	2,334	738
Scrap sales	3,736	2,489
Rental income	240	240
	<u>6,788</u>	<u>4,903</u>
29. FINANCE COST		
Mark-up on:		
Long term financing	15,822	24,320
Short term borrowings	109,302	112,486
Interest on workers' profit participation fund (Note 9.3)	112	830
Bank charges and commission	8,664	8,375
Exchange loss on foreign currency loans	5,732	22,511
	<u>139,632</u>	<u>168,522</u>
30. TAXATION		
Charge for the year:		
Current (Note 30.1)	27,342	36,825
Prior year adjustment	(155)	2,303
Deferred (Note 30.2)	(7,630)	(15,498)
	<u>19,557</u>	<u>23,630</u>
30.1	Provision for current taxation represents minimum tax on local sales, tax deducted against export sales and tax on other operating income under the relevant provisions of the Income Tax Ordinance, 2001. Tax losses available as at 30 June 2013 are Rupees Nil (2012: Rupees 11.685 million). Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not presented, being impracticable.	
30.2	Deferred income tax effect due to:	
Accelerated tax depreciation	102,903	70,706
Staff retirement gratuity	(3,243)	(4,440)
Unused tax losses	-	(4,090)
Tax credits	(14,269)	-
	<u>85,391</u>	<u>62,176</u>
Opening balance as at 01 July	(62,176)	(77,674)
Related to surplus on revaluation of property, plant and equipment	(30,845)	-
	<u>(7,630)</u>	<u>(15,498)</u>

31. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share which is based on:

		2013	2012
Profit for the year	(Rupees in thousand)	<u>72,063</u>	<u>10,647</u>
Weighted average number of ordinary shares	(Numbers)	<u>9 660 000</u>	<u>9 660 000</u>
Earnings per share	(Rupees)	<u>7.46</u>	<u>1.10</u>

32. CASH GENERATED FROM OPERATIONS

		2013 (RUPEES IN THOUSAND)	2012
Profit before taxation		91,620	34,277
Adjustments for non-cash charges and other items:			
Depreciation		51,488	53,035
Gain on sale of property, plant and equipment		(2,334)	(738)
Provision for staff retirement gratuity		9,915	11,267
Reversal of workers' welfare fund		-	(1,408)
Debit balances written off		1,145	-
Profit on long term investments		(478)	(28)
Finance cost		139,632	168,522
Provision for workers' profit participation fund		4,877	1,774
Provision for workers' welfare fund		939	-
Working capital changes (Note 32.1)		4,093	(115,494)
		<u>300,897</u>	<u>151,207</u>

32.1 Working capital changes

(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(26,571)	1,013
Stock in trade		41,886	10,955
Trade debts		5,682	(66,752)
Loans and advances		(7,879)	7,216
Short term prepayments		(18)	103
Other receivables		923	(6,418)
		<u>14,023</u>	<u>(53,883)</u>
Increase / (decrease) in trade and other payables		(9,930)	(61,611)
		<u>4,093</u>	<u>(115,494)</u>

33. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration including all benefits to Chief Executive Officer, Directors and Executives of the Company is as follows:

	Chief Executive Officer		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	----- (RUPEES IN THOUSAND) -----					
Managerial remuneration	1,200	1,050	1,680	970	5,504	3,513
Allowances						
House rent	540	472	756	436	2,477	1,580
Utilities	60	53	84	49	35	32
Others	-	-	-	-	177	106
Contribution to provident fund	-	-	-	-	451	110
Staff retirement benefits paid	-	-	-	-	-	100
	<u>1,800</u>	<u>1,575</u>	<u>2,520</u>	<u>1,455</u>	<u>8,644</u>	<u>5,441</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>7</u>	<u>5</u>

- 33.1 Chief Executive Officer and Directors of the Company are provided with free company maintained
- 33.2 Chief Executive Officer, Directors and some Executives are entitled to reimbursement of travelling expenses, electricity, gas and water bills.
- 33.3 No meeting fee was paid to any director during the year (2012: Rupees 5,000 to one director).
- 33.4 No remuneration was paid to non-executive directors of the Company.

34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies / undertakings, other related parties and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements is as follows:

	2013	2012
	(RUPEES IN THOUSAND)	
Associated companies / undertakings:		
Purchase of goods	259,578	278,448
Fuel and power purchased	31,679	51,689
Purchase of operating fixed assets	-	2,400
Processing and packing charges paid	190,438	116,289
Expenses paid	-	4,388
Sale of goods	918,117	830,295
Doubling and conversion income	560	9,866
Sale of operating fixed assets	6,000	-
Other related parties		
Loans obtained from directors	-	10,500
Loan repaid to director	1,833	-
Company's contribution to Employees' Provident Fund Trust	3,935	517

35. PROVIDENT FUND RELATED DISCLOSURES

Following information is based on un-audited financial statements of the employees' provident fund trust for the years ended 30 June 2013 and 30 June 2012:

	2013	2012
	(RUPEES IN THOUSAND)	
Size of the fund - Total assets	15,496	4,901
Cost of investments (Note 35.1)	14,015	4,604
Percentage of investments made	90.44	93.94
Fair value of investments	13,451	4,431

- 35.1 Whole of the investment has been made in unit trust schemes.
- 35.2 The investment out of provident fund has not been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose as the investment in unit trust scheme exceeded the limits prescribed in SRO 261 (I) / 2002 regarding investment in unit trust schemes.



36. NUMBER OF EMPLOYEES

	2013 (Number of Persons)	2012
Number of employees as on 30 June	1,201	1,198
Average number of employees during the year	1,198	1,178

37. PLANT CAPACITY AND ACTUAL PRODUCTION

	2013	2012
Spinning		
100% plant capacity converted to 20s count based on 3 shifts per day for 1 095 shifts (2012: 1 098 shifts) (Kgs.)	4 858 000	4 871 310
Actual production converted to 20s count based on 3 shifts per day for 1 095 shifts (2012: 1 098 shifts) (Kgs.)	4 701 680	4 971 209
Weaving		
100% plant capacity at 60 picks based on 3 shifts per day for 1 095 shifts (2012: 1 098 shifts) (Sq.Mtr.)	41 570 493	41 684 385
Actual production converted to 60 picks based on 3 shifts per day for 1 095 shifts (2012: 1 098 shifts) (Sq.Mtr.)	26 598 435	32 585 974

37.1 REASON FOR LOW PRODUCTION

Under utilization of available capacity is mainly due to gas supply shut down and normal maintenance.

38. SEGMENT INFORMATION

	Spinning		Weaving		Elimination of Inter-segment transactions		Total - Company	
	2013	2012	2013	2012	2013	2012	2013	2012
	(RUPEES IN THOUSAND)							
Sales	1,684,825	1,636,048	2,296,870	2,320,108	(250,424)	(207,966)	3,731,271	3,748,190
Cost of sales	(1,543,830)	(1,584,894)	(2,041,265)	(2,009,114)	250,424	207,966	(3,334,671)	(3,386,042)
Gross profit	140,995	51,154	255,605	310,994	-	-	396,600	362,148
Distribution cost	(8,090)	(8,056)	(96,487)	(99,550)	-	-	(104,577)	(107,606)
Administrative expenses	(29,712)	(25,319)	(30,886)	(29,493)	-	-	(60,598)	(54,812)
Other expenses	(4,414)	(60)	(2,547)	(1,774)	-	-	(6,961)	(1,834)
	(42,216)	(33,435)	(129,920)	(130,817)	-	-	(172,136)	(164,252)
	98,779	17,719	125,685	180,177	-	-	224,464	197,896
Other income	1,387	1,409	5,401	3,494	-	-	6,788	4,903
Finance cost	(39,031)	(45,196)	(100,601)	(123,326)	-	-	(139,632)	(168,522)
Profit / (loss) before taxation	61,135	(26,068)	30,485	60,345	-	-	91,620	34,277
Taxation							(19,557)	(23,630)
Profit after taxation							72,063	10,647

38.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Total - Company	
	2013	2012	2013	2012	2013	2012
	(RUPEES IN THOUSAND)					
Total assets for reportable segments	1,069,178	698,161	1,334,985	1,445,188	2,404,163	2,143,349
Total liabilities for reportable segments	532,819	384,848	982,071	1,094,600	1,514,890	1,479,448
Unallocated liabilities:						
Deferred income tax liability					85,391	62,176
Total liabilities as per balance sheet					1,600,281	1,541,624

38.2 Geographical Information

The Company's revenue from external customers by geographical location is detailed below:

	2013	2012
	(RUPEES IN THOUSAND)	
South America	41,939	36,222
North America	101,710	117,206
Asia	65,662	50,456
Europe	892,453	1,004,638
Africa	190,568	164,748
Pakistan	2,374,920	2,374,920
	3,667,252	3,748,190

38.3 All non-current assets of the Company as at reporting date are located and operating in Pakistan.

38.4 Revenue from major customers

Revenue from major customers of Company's Weaving segment represents Rupees 311.677 million (2012: Rupees 721.688 million). Revenue from Spinning segment of the Company does not include any major customer.

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, investment of excess liquidity and use of non derivative financial instruments.

(a) Market risk**(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Currently, the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2013	2012
Trade debts - USD	3,749,354	5,153,302
Trade debts - Euro	120,854	163,605
Trade and other payables - USD	75,975	322,606
Trade and other payables - Euro	258,802	29,865
Short term borrowings - USD	705,400	3,854,980
Short term borrowings - Euro	-	50,100
Net exposure - USD	2,967,979	975,716
Net exposure - Euro	(137,948)	83,640

Following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate	94.48	86.55
Reporting date rate	98.60	94.00

Rupees per Euro

Average rate	118.96	113.02
Reporting date rate	129.11	118.25

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 13.621 million (2012: Rupees 4.357 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. While if the functional currency, at reporting date, had weakened / strengthened by 5% against the Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 0.829 million lower / higher (2012: Rupees 0.470 million higher / lower), mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

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



The Company has no interest-bearing assets except for long term investments and bank balances in saving accounts. The Company's interest rate risk arises from long term financing, short term borrowings, long term investments and bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2013	2012
	(RUPEES IN THOUSAND)	
Fixed rate instruments:		
Financial assets		
Long term investments	6,325	825
Floating rate instruments:		
Financial assets		
Bank balances-saving accounts	10	18
Financial liabilities		
Long term financing	154,239	116,750
Short term borrowings	1,009,856	987,554

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not effect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 11.137 million (2012: Rupees 10.491 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amount of financial instruments outstanding at balance sheet date were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2013	2012
	(RUPEES IN THOUSAND)	
Investments	6,831	853
Loans and advances	818	1,409
Deposits	3,909	3,736
Trade debts	542,722	549,549
Other receivables	52	760
Bank balances	55,194	8,851
	609,526	565,158

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate.

	Rating			2013	2012
	Short Term	Long term	Agency (RUPEES IN THOUSAND)		
National Bank of Pakistan	A-1+	AAA	JCR-VIS	1,006	585
Allied Bank Limited	A1+	AA	PACRA	114	128
Askari Bank Limited	A1+	AA	PACRA	125	160
Bank Alfalah Limited	A1+	AA	PACRA	72	99
Faysal Bank Limited	A1+	AA	PACRA	350	106
Habib Bank Limited	A-1+	AAA	JCR-VIS	257	57
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	46,808	764
MCB Bank Limited	A1+	AAA	PACRA	1,621	1,579
Soneri Bank Limited	A1+	AA -	PACRA	12	12
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	29	30
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	2,421	3,130
Bank Al-Habib Limited	A1+	AA+	PACRA	1,372	1,739
United Bank Limited	A-1+	AA+	JCR-VIS	905	422
The Bank of Punjab	A1+	AA -	PACRA	102	40
				55,194	8,851

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 19.

Due to the Company's long standing business relationships with these counterparties, and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

Credit risk management

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

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2013, the Company had Rupees 960 million (2012: Rupees 1,117 million) available borrowing limits from financial institutions and Rupees 55.657 million (2012: Rupees 9.388 million) cash and bank balances. The management believes the liquidity risk to be low. Followings are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2013:

Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years	
(RUPEES IN THOUSAND)						
Non-derivative financial liabilities:						
Long term financing	253,239	245,947	45,065	36,294	100,365	64,223
Trade and other payables	160,119	160,119	160,119	-	-	-
Accrued mark-up	27,709	27,709	27,709	-	-	-
Short term borrowings	1,009,879	1,049,648	1,049,648	-	-	-
1,450,946	1,483,423	1,282,541	36,294	100,365	64,223	

Contractual maturities of financial liabilities as at 30 June 2012:

Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years	
(RUPEES IN THOUSAND)						
Non-derivative financial liabilities:						
Long term financing	221,250	238,554	40,187	37,580	150,904	9,883
Trade and other payables	168,528	168,528	168,528	-	-	-
Accrued mark-up	26,684	26,684	26,684	-	-	-
Short term borrowings	987,577	1,049,648	1,049,648	-	-	-
1,404,039	1,483,414	1,285,047	37,580	150,904	9,883	

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark-up rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 6 and Note 11 to these financial statements.

39.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

39.3 Financial instruments by categories

Held-to-maturity	Loans and receivables	Total	Held-to-maturity	Loans and receivables	Total
2013			2012		
(RUPEES IN THOUSAND)					

Assets as per balance sheet

Investments	6,831	-	6,831	853	-	853
Loans and advances	-	818	818	-	1,409	1,409
Deposits	-	3,909	3,909	-	3,736	3,736
Trade debts	-	542,722	542,722	-	549,549	549,549
Other receivables	-	52	52	-	760	760
Cash and bank balances	-	55,657	55,657	-	9,388	9,388
6,831	603,158	609,989	853	564,842	565,695	

Financial liabilities at

amortized cost

2013 2012
(RUPEES IN THOUSAND)

Liabilities as per balance sheet

Long term financing	214,739	221,250
Accrued mark-up	27,709	26,684
Short term borrowings	1,009,879	987,577
Trade and other payables	160,119	168,528
1,412,446	1,404,039	

39.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing (except subordinated loans) and short term borrowings obtained by the Company as referred to in Note 6 and Note 11 respectively. Equity represents 'total equity' as shown in the balance sheet and directors' loans which are subordinated to long term financing as referred in Note 6.2. Total capital employed includes 'equity' plus 'borrowings'. The Company's overall strategy remained unchanged from last year.

		2013	2012
Borrowings	Rupees in thousand	1,171,618	1,117,327
Total equity	Rupees in thousand	655,113	579,574
Total capital employed	Rupees in thousand	<u>1,826,731</u>	<u>1,696,901</u>
Gearing ratio	Percentage	<u>64.14</u>	<u>65.85</u>

40. NON ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors in their meeting held on October 08, 2013 have proposed cash dividend of Rupee 1 per share for the year ended 30 June 2013 (2012: Rupees Nil) to ordinary shareholders except Directors, their spouses and family members. However, this event has been considered as non adjusting under IAS 10 and has not been recognized in these financial statements.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 08, 2013 by the Board of Directors of the Company.

42. CORRESPONDING FIGURES

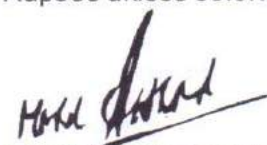
Corresponding figures have been re-arranged, wherever necessary for the purpose of comparison. However, no significant re-arrangements have been made except those required by revised Fourth Schedule to the Companies Ordinance, 1984.

43. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise



NISAR AHMAD SHEIKH
Chief Executive Officer



MUHAMMAD ARSHAD
Director

STATEMENT SHOWING SHARES BOUGHT AND SOLD BY DIRECTORS, CEO, CFO,
COMPANY SECRETARY AND THE FAMILY MEMBERS
FROM 01 JULY 2012 TO 30 JUNE 2013

Sl. #	Name	Designation	Shares Bought	Shares Sold
1	Mr. Muhammad Arshad	Chairman/Director		
2	Mr. Nisar Ahmad Shaikh	Chief Executive/Director		
3	Mr. Muhammad Saeed	Director		
4	Mr. Amjad Saeed	Director		
5	Mr. Shahzad Ahmad Shaikh	Director		
6	Mr. Shehryar Arshad	Director		
7	Mr. Aizad Amer	Director		
8	Mrs. Zareen Akhtar	Director	185192 Shares received from M. Anwar Sajjad	
9	Mr. Muhammad Tariq Iqbal	Chief Financial Officer		
10	Mr. Muhammad Ikram Elahi	Company Secretary		

**CATEGORIES OF SHAREHOLDING
AS AT 30 JUNE 2013**

Categories of Shareholding	Numbers	Shares Held	Percentage %
Associated companies, Undertakings & Related Parties			
NIT and ICP	6	503357	5.21
Directors, Chief Executive & their spouse and adult children			
Mr. Muhammad Arshad (Chairman-Director)	1	655298	6.78
Spouse and Adult Children	7	1128126	11.68
Mr. Nisar Ahmad Sheikh (Chief Executive-Director)	2	312490	3.23
Spouse and Adult Children	5	847802	8.78
Mr. Muhammad Saeed Sheikh (Director)	1	4200	0.04
Adult Children	2	344400	3.57
Mr. Zareen Akhtar (Director)	2	491071	5.08
Spouse and Adult Children	3	1273579	13.18
Mr. Amjad Saeed (Director)	2	933847	9.67
Spouse and Adult Children	5	683543	7.08
Mr. Shahzad Ahmad Sheikh (Director)	2	1050201	10.87
Spouse	1	181125	1.88
Mr. Shehryar Arshad (Director)	2	101494	1.05
Mr. Aizad Amer (Director)	1	100000	1.04
Executives			
Public Sector Companies and Corporations			
Banks, Development Financial Institutions	2	449	0.00
Non-Banking Finance Institutions	2	10310	0.11
Insurance Companies, Modaraba & Mutual Funds	2	110033	1.14
Joint Stock Companies	11	43652	0.45
Individuals	1028	883698	9.15
Others	2	1325	0.01
Total	1089	9660000	100.00

**PATTERN OF SHAREHOLDINGS
AS AT 30 JUNE 2013**

Serial No.	From	To	Number of Share Holders	Total Shares Held
1	1	100	642	21850
2	101	500	266	60824
3	501	1000	33	27462
4	1001	5000	76	203814
5	5001	10000	16	142150
6	10001	20000	9	125725
7	20001	25000	3	69160
8	25001	30000	3	78500
9	30001	40000	3	101000
10	40001	45000	1	40587
11	45001	55000	2	101494
12	55001	60000	2	115500
13	60001	65000	1	61250
14	65001	70000	2	136500
15	70001	85000	1	80000
16	85001	115000	3	298433
17	115001	135000	1	134890
18	135001	155000	2	310000
19	155001	160000	3	473331
20	160001	175000	4	685207
21	175001	180000	1	175525
22	180001	185000	1	181125
23	185001	205000	2	388332
24	205001	215000	1	213460
25	215001	225000	1	223790
26	225001	280000	1	278575
27	280001	290000	1	287490
28	290001	310000	3	902633
29	310001	660000	2	1099244
30	660001	770000	1	767690
31	800001	840000	1	835685
32	940001	1040000	1	1038774
Total			1,089	9,660,000



ISHAQ TEXTILE MILLS LIMITED
Room No.404-405, 4th Floor, Business Centre,
Mumtaz Hassan Road, Karachi.

PROXY FORM

I/We _____ of _____ being member(s) of ISHAQ TEXTILE MILLS LIMITED holding _____ ordinary shares as per Registered Folio No./CDC A/c No. (for members who have shares in CDS) _____ hereby appoint Mr./Mrs./Miss _____ of (full address) _____ or failing him/her Mr./Mrs./Miss _____ of (full address) _____ (being member of the Company) as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the 31st Annual General Meeting of the Company to be held on October 31, 2013 and/or any adjournment thereof.

As witness my/our hand seal this _____ day of _____ 2013
Signed by _____ in the presence of _____

Signature on
Rs.5/-
Revenue Stamps

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

Notes:

1. This proxy form duly completed and signed, must be received at the Registered Office of the Company, 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he/she himself/herself is a member of the Company, except that a Corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his/her National Identity Card with him/her to prove his/her identity, and in case of proxy, must enclose an attested copy of his/her National Identity Card. Representatives of Corporate members should bring the usual documents required for such purpose.