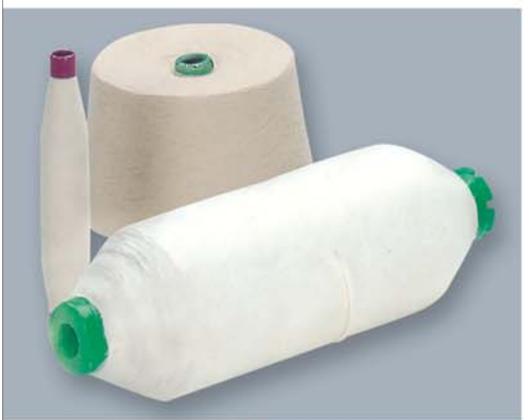
ANNUAL REPORT 2013



FAZAL TEXTILE MILLS LIMITED

Contents

51st Annual Report 2013

Corporate Information

BOARD OF DIRECTORS

Mr. Muhammad Younus Tabba	(Chairman)
Mr. Muhammad Sohail Tabba	(Chief Executive)
Mr. Muhammad Ali Tabba	
Mr. Imran Yunus Tabba	
Mr. Javed Yunus Tabba	
Mrs. Mariam Tabba Khan	
Mrs. Raheela Aleem	
Mr. Ilyas Ismail	

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Toufique Yusuf
FCA FICS

HEAD OF INTERNAL AUDIT DEPARTMENT

Mr. Muhammad Faheemullah

AUDIT COMMITTEE

Mr. Muhammad Javed Tabba	Chairman
Mr. Muhammad Ali Tabba	Member
Mr. Imran Yunus Tabba	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Imran Yunus Tabba	Chairman
Mr. Javed Yunus Tabba	Member
Mrs. Mariam Tabba Khan	Member

AUDITORS

Hyder Bhimji & Co.
Chartered Accountants

LEGAL ADVISOR

Mr. Mohammad Aleem
(Advocate)

BANKERS

Bank Al-Habib Limited
Bank Al-Falah Limited (Islamic Division)
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited

REGISTERED OFFICE AND MILLS

LA-2/B Block # 21,
Rashid Minhas Road,
Federal 'B' Area, Karachi - 75950.
Phones: 36321311-36322048
Fax: 92-21-36313372
E-mail: finance@fazaltextile.com
Website : www.fazaltextile.com

Mission Statement

Fazal Textile Mills Limited through its innovative technology and effective resource management has maintained high ethical and professional standards. The core values are its commitment, integrity, excellence, teamwork, transparency and creativity.

Fazal Textile is committed to:-

- produce quality and fault free products for its valued customers by continual improvements by providing proper training and development programmes, upgrading of resources, setting quality objectives by analyzing customer's feedback.

- provides good returns and security to its shareholders

- fulfill obligation towards creditors, employees and the society.

Notice of Annual General Meeting

Notice is hereby given that the 51st Annual General Meeting of the Members of the Fazal Textile Mills Limited will be held at Registered office of the Company located at L-A, 2/B, Block 21, Rashid Minhas Road, Federal "B" Area, Karachi on Monday the 28th October 2013 at 11.00 a.m to transact the following business.

Ordinary business:

1. To confirm the minutes of the Annual General Meeting held on 22th October 2012.

2. To receive consider and adopt the Audited accounts for the year ended June 30, 2013 together with the Directors and Auditors report thereon.

3. To approve cash dividend of Rs 5.00 per share of Rs 10/- each for the year ended 30th June 2013 as recommended by the Board.

4. To appoint Auditors for the year ending 30th June 2014 and to fix their remuneration.

5 To elect nine directors as fixed by the Board of Directors in accordance with the provisions of the Companies Ordinance, 1984 for a period of three years commencing from December 27, 2013. The following eight directors will retire and are eligible for reappointment.

   1) Mr. Muhammad Yunus Tabba
   2) Mr. Muhammad Sohail Tabba
   3) Mr. Muhammad Ali Tabba
   4) Mr. Imran Yunus Tabba
   5) Mr. Jawed Yunus Tabba
   6) Mrs. Mariam Tabba Khan
   7) Mrs. Raheela Aleem
   8) Mr. Ilyas Ismail

6 To transact any other business with the permission of the Chairman

Special Business :

To pass the following resolutions with or without amendments, as special resolution, regarding amendments in the original resolutions passed on September 14, 2010:

a. "RESOLVED that the Company will not be making investment in equity of Rs.500,000,000/- in Lucky One (Private) Limited and instead it shall make direct funding for meeting the cost of project as per the three party agreement dated February 23, 2013 and in accordance with the sharing ratio agreed in the Joint Venture Agreement.

b. "RESOLVED that approvals, permits, sanctions and / or concessions sought / obtained from any department(s), governments(s) whether provincial and / or federal agency(ies), body(ies) / corporation(s) and / or bodies corporate on the Company's land for the purpose of construction and development of the Project shall be the responsibility of LOPL and to be obtained by it.

c. FURTHER RESOLVED that the Lucky One (Private) Limited will be paid project supervision fee @ 0.25% based on payments made to sub-contractors on quarterly basis.

By order of the Board

M. Toufique Yusuf
Company Secretary

Karachi : September 26, 2013

Notes :

1. The share transfer books of the Company will remain closed from October 28, 2013 to November 04, 2013 (both days inclusive)

2. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote for him/her. Proxy forms must be deposited at the registered office of the Company not later than 48 hours before the time of holding the meeting.

3. Nomination from shareholders for the office of Director must be received at least 14 days before the time of meeting at the Registered Office of the Company.

4. An individual beneficial owner of shares from CDC must bring his/her original NIC or Passport, Account and Participant's I.D numbers to prove his/her identity. A representative of corporate member of the Company or CDC must bring the Board of Directors' Resolution and/or Power of Attorney and the specimen signature of the nominee.

5. Members are requested to notify the Company of any change in their addresses immediately.

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

The shareholders of the Company passed following resolutions in extraordinary general meeting held on September 14, 2010.

"RESOLVED that the approval of the shareholders be and is hereby accorded in terms of Section 208 of the Companies Ordinance, 1984 for investment in Lucky One (Private) Limited, on associated company, which will build, construct and develop the Project on the Company's land bearing Plot No.LA-2/B, measuring 10.22 acres, situated at Block 21, F.B. Area, Rashid Minhas Road, Karachi and upto Rs.500,000,000/- (Rupees five hundred million) and subsequently run, manage and maintain the same on such terms and conditions as may be agreed upon".

"RESOLVED that Mr. Sohail M. Yunus, and Mr. Muhammad Ali Razzak, directors of the Company be and are hereby nominated as directors of the Company on the Board of Lucky One (Private) Limited".

"FURTHER RESOLVED that Mr. Sohail M. Yunus, or Mr. Muhammad Ali Razzak, directors of the Company, be and is hereby singly authorized to do, perform and take any and all acts, deeds and decisions, from time to time, as may be required vis-à-vis the management / of affairs of Lucky One (Private) Limited.

"RESOLVED that Mr. Sohail M. Yunus, or Mr. Muhammad Ali Razzak, directors of the Company, be and is hereby singly authorized to execute the Joint Venture Agreement with LTM on such terms and conditions as they deem appropriate".

"FURTHER RESOLVED that all arrangement between the company and LTM for construction and development of the Project through Lucky One (Private) Limited shall be conducted on a fair and arms-length basis".

"RESOLVED that all approvals, permits, sanctions and / or concessions sought / obtained from any department(s), governments(s) whether provincial and / or federal agency(ies), body(ies) / corporation(s) and / or bodies corporate on the Company's land for the purpose of construction and development of the Project shall be obtained in the name of Lucky One (Private) Limited".

"FURTHER RESOLVED that Lucky One (Private) Limited may operate in a manner as may be deemed necessary for the purposes of the construction, development and maintenance of the Project and to carry out and conduct all formalities relating thereto, which shall include but not limited to the issuance of leases, sub-leases, licences, allotments, tenancies and other documents and letters as may be required to sell and / or lease units constructed within and forming part of the Project. Any documentation, including but not limited to, powers of attorney which may be required be executed and / or registered by FTML and LTM in favour of Lucky One (Private) Limited to ensure that above acts and tasks may also be duly concluded by the respective parties.

According to the resolutions the Company executed a Joint Venture Agreement with Lucky Textile Mills Limited for implementation of above resolutions and a Private Limited Company in the name and style of Lucky One (Private) Limited was also incorporated.

Subsequent to the passing of above special resolutions in the Extraordinary General Meeting, the matter of forming Lucky One (Private) Limited as a SPV was considered to be inappropriate and not in line with the structure of the transaction and the objectives of the joint venture partners i.e. Fazal Textile Mills Limited (FTML) and Lucky Textile Mills Limited (LTML). The Board then decided to make direct funding in the Project namely "Lucky One" instead of equity investment in Lucky One (Private) Limited (LOPL) and an agreement dated February 23, 2013 amending the Joint Venture Agreement dated August 10, 2010, was executed between Fazal Textile Mills Limited, Lucky Textile Mills Limited and Lucky One (Private) Limited. According to the agreement the ownership of land will continue to rest and cost of the project will be financed by the joint venture partners i.e. FTML and LTML and LOPL will only act as agent of both the Joint Venture Partners and charge fees for the services rendered.

Due to the above changes in strategy the Board of Directors have proposed to pass the following resolutions, as special resolution, with or without amendments, regarding amendments in the original resolutions passed on September 14, 2010:

a. "RESOLVED that the Company will not be making investment in equity of Rs.500,000,000/- in Lucky One (Private) Limited and instead it shall make direct funding for meeting the cost of project as per the three party agreement dated February 23, 2013 and in accordance with the sharing ratio agreed in the Joint Venture Agreement.

b. "RESOLVED that approvals, permits, sanctions and / or concessions sought / obtained from any department(s), governments(s) whether provincial and / or federal agency(ies), body(ies) / corporation(s) and / or bodies corporate on the Company's land for the purpose of construction and development of the Project shall be the responsibility of LOPL and to be obtained by it.

c. FURTHER RESOLVED that the Lucky One (Private) Limited will be paid project supervision fee @ 0.25% based on payments made to sub-contractors on quarterly basis.

The other terms & conditions of special resolution in extraordinary general meeting held September 14, 2010 will remain the same.

INTEREST OF DIRECTOR IN THE SPECIAL RESOLUTION.

The Directors are only interested in the special business to the extent of their shareholding in the Company.

Directors' Report To The Members

It is indeed a pleasure for the Directors of the Company to present the 51st Annual Report together with the Company's audited financial statements for the year ended that on June 30, 2013.

The year under review is another milestone in the history of the Company. By the Grace of Almighty Allah, your Company has achieved phenomenal results while not getting intimidated by difficult operating conditions.

Financial Performance:

A comparison of the key financial results of the Company for the Financial Year ended on June 30, 2013 with last year is as under:

	Year Ended 30-06-2013 (Rs.000)	Year Ended 30-06-2012 (Rs.000)	Percentage Favorable (Unfavorable) %
Sales - Export	**3,628,878**	2,763,850	31.30
Local	**2,298,619**	1,930,096	19.09
Sales (net)	**5,909,410**	4,698,249	25.78
Gross Profit	**820,897**	394,522	108.07
Finance costs	**89,656**	22,854	(292.30)
Profit before taxation	**457,923**	162,917	181.08
Profit for the year	**436,246**	131,709	231.21
Earnings per share (Rs.)	**70.50**	21.29	

As it can be observed from the above figures, your Company, by the Grace of Almighty Allah, posted highly encouraging financial results despite lesser margins in fine counts during the period under review.

Net Sales amounted to Rs. 5.909 billion for the year under review as compared to Rs. 4.698 billion in the corresponding period last year. The Gross Profit of Rs. 820.897 million represents hefty growth of 108.07 per cent over the earlier year's GP of Rs. 394.522 million. The substantial rise in GP is attributable to sustainable demand of yarn, competitive position of your Company in the yarn market, both at home and abroad, and availability of lint cotton at reasonable prices.

The Finance Cost registered rise of 292.30% increase to Rs. 89.656 million over previous year of Rs. 22.854 million due to enhanced borrowings to meet working capital requirements for production, extended period of credit to fetch export orders and higher borrowings in local currencies on KIBOR benchmark and also due to charging the borrowing costs on capital expenditure to income as the operational activities on these capital expenditure has commenced.

The Profit After Tax has surged up by 231.21 per cent to Rs.436.246 million from Rs.131.709 million in the preceding year, which translates into earnings per share of Rs.70.50 out performing last year's Rs.21.29.

Earnings Per Share:

The earnings per share during the year under report worked out to Rs. 70.50 as compared to earnings of Rs.21.29 for 2012.

Progress and Funding in Construction Project:

The construction activities of the Mall is in full swing and it is expected that the first phase of the Mall will be completed and handed over to the potential tenants by June 2015.

As you are aware that your company has already obtained approval from its member in the Extra Ordinary Meeting held on September 14, 2010 to invest Rs 500 million in the equity of its associated company namely Luckyone (Pvt) Limited. However subsequent to the passing of above special resolution in the Extra Ordinary General Meeting, the matter of forming Luckyone (Pvt) Limited as a SPV was considered by the Board to be in appropriate and not in line with the structure of the transaction and the objectives of the joint ventures partners i.e Fazal Textile Mills Limited (FTML) and Lucky Textile Mills Limited (LTML). The board than decided to make direct funding in the Project namely "Lucky One Mall and Appartments" instead of equity investment in Luckyone (Pvt) Limited (LOPL) and an agreement dated February 23, 2013 amending the joint venture agreement dated August 10, 2013 was executed between FTML, LTML and LOPL. According to the agreement the ownership of the land will continue to rest with the joint venture partners i.e FTML and LTML, and the cost of project will be financed by the joint venture partners as per agreed ration. LOPL will only act as agent of the both Joint Venture Partners and charge fees for the services rendered.

Statements under section 160 of the Companies Ordinance 1984 stating all the material facts concerning the special business to be transacted at the Annual General Meeting and the proposed resolutions related thereto are attached with the notice of Annual General Meeting.

Dividend:

The Board of Directors have pleasure in recommending cash dividend at the rate of Rs.5.00 per Share for the year under review (2012: Rs.4.00 per share).

Future outlook:

As stated in our earlier reports, we do remain vulnerable to energy price escalation, inflation and devaluation of Pak Rupee. Besides, the lint cotton prices are fluctuating. However, your Company is in the process of replenishing its requirements of lint cotton for the current financial year at competitive prices.

Other factors such as electricity, gas, ocean and surface freight which are consistently ascending are likely to exert pressure on our margins.

Despite the challenges that keep posing threats, your directors are determined to do everything to combat difficulties, so that the Company achieves satisfactory financial results.

Election of directors:

The three years term of the office of existing Board of Directors is been completed on December 27,2013 has been schedule on October 28, 2013 as per Article 90 and 97 of the Article of Association of the Company and section 174 and 178 of the Companies Ordinance 1984. The Board has fixed 9 number of directors to be elected in the coming election of Directors.

Code of Corporate Governance:

The Directors of your Company are aware of their responsibilities under the Code of Corporate Governance, incorporated in the Listing Rules of the Stock Exchanges in the country under instructions from Security & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance in your company as required by the Code.

As a part of the compliance of the Code, we confirm the following:

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

b) Proper books of account of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) The system of internal control is sound in design and is being effectively implemented and reviewed by internal audit function.

e) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

f) The Company has a very sound balance sheet with fair debt:equity ratio and therefore there is no doubt at all about the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.

h) We have an Audit Committee the members of which are from the Board of Directors.

i) We have prepared and circulated a Statement of Ethics and Business Strategy among directors and employees.

j) The Board of Directors has adopted a Mission Statement and a Statement of Overall Corporate Strategy.

k) As required by the Code of Corporate Governance, we have included the following information in this Report:

   i) Statement of pattern of shareholding has been given separately.

   ii) Statement of shares held by associated undertaking and related persons have been given separately.

   iii) Statement of the Board meetings & Committee meeting held during the year and attendance by each director.

   iv) Key operating and financial statistics for the last six years has been given separately.

Auditors:

The present Auditors, M/s. Hyder Bhimji & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.

As proposed by the Audit Committee, the Board recommends their appointment as auditors of the Company for the year ending June 30, 2014.

Acknowledgements:

Your directors record their appreciation of the efforts of the Company's officers, technicians, staff and workers and the support and cooperation extended by its customers, bankers, and the Government agencies during the year.

For and on behalf of the Board

Muhammad Sohail Tabba
Chief Executive

Karachi: September 26, 2013

Key Financial And Operational Data

Rupees "000"

PARTICULARS	YEARS									
	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004
Export Sales	3,628,878	2,763,850	3,700,027	2,890,868	1,815,119	1,910,247	1,805,767	1,328,054	1,001,278	1,565,173
Local Sales	2,298,619	1,930,096	2,078,269	1,381,290	1,130,386	672,118	575,401	801,791	801,963	936,049
Gross Sales	5,927,497	4,693,946	5,778,296	4,272,158	2,945,505	2,582,365	2,381,168	2,129,845	1,803,241	2,501,222
Net Sales	5,909,410	4,698,249	5,775,193	4,075,778	2,819,019	2,444,146	2,263,195	2,027,303	1,642,382	2,265,602
Gross Profit	820,897	394,522	698,298	839,111	220,351	139,904	121,177	175,570	162,291	91,857
Gross Profit Ratio	13.89	8.40	12.09	20.59	7.82	5.72	5.35	8.66	9.88	4.05
Profit Before Tax	457,923	162,917	393,626	675,792	48,219	26,361	1,236	51,459	78,167	21,743
Profit Before Tax Ratio	7.75	3.47	6.82	16.58	1.71	1.08	0.05	2.54	4.76	0.96
Profit/(Loss) After Tax	436,246	131,709	354,096	624,583	25,293	10,040	(20,461)	48,619	40,882	29,828
Profit/(Loss) After Tax Ratio	7.38	2.80	6.13	15.32	0.90	0.41	(0.90)	2.40	2.49	1.32
Cost of Fixed Assets	3,878,659	3,298,307	1,609,644	1,636,775	1,625,504	1,597,122	1,550,952	1,407,892	1,395,754	1,284,882
Book Value of Fixed Assets	2,704,638	2,197,596	575,075	629,583	672,849	719,115	741,516	652,327	666,272	602,889
Total Assets Employed	7,437,335	5,225,951	4,270,909	3,679,757	2,884,682	3,328,731	1,824,287	1,868,796	1,699,360	1,387,082
Shareholders Equity	2,149,565	1,738,069	1,643,483	1,351,262	735,960	719,948	709,908	745,838	712,688	681,087
Breakup Value Per Share	347.40	280.90	265.61	218.39	119.10	116.35	114.73	120.54	115.18	110.07
Earning Per Share Before Tax	74.01	26.33	63.62	109.22	7.79	4.42	0.20	8.31	12.63	3.51
Earning/(Loss) Per Share After Tax	70.51	21.29	57.23	100.94	4.09	1.62	(3.31)	7.86	6.61	4.82
Production Capacity (20/s) (lbs)	52,890,000	48,990,026	48,990,026	48,990,026	48,990,026	48,990,026	47,879,424	48,341,510	34,725,150	45,397,909
Production converted into 20/s (lbs)	51,922,063	45,801,500	48,798,460	48,858,410	48,739,567	48,607,000	47,425,336	48,032,726	34,454,142	45,380,876
Capacity Utilization	98.17	93.49	99.61	99.73	99.49	99.22	99.05	99.36	99.22	99.96

Pattern of Shareholding

As at June 30, 2013

NUMBER OF SHARE HOLDERS	SHARE HOLDING FROM		SHARE HOLDING TO	TOTAL SHARES HELD
450	1	to	100	23,408
142	101	to	500	48,175
31	501	to	1000	23,760
44	1001	to	5000	120,768
7	5001	to	10000	45,715
2	10001	to	15000	24,858
1	15001	to	20000	18,365
3	30001	to	35000	97,051
2	35001	to	40000	79,848
1	65001	to	70000	67,755
2	75001	to	80000	157,774
3	135001	to	140000	407,806
2	210001	to	215000	427,048
3	215001	to	220000	655,892
3	225001	to	230000	683,912
1	245001	to	250000	248,118
2	255001	to	260000	512,133
1	290001	to	295000	290,765
1	365001	to	370000	366,602
1	395001	to	400000	399,826
1	440001	to	445000	444,608
1	465001	to	470000	468,452
1	570001	to	575000	574,864
705				6,187,503

Pattern of Shareholding

As at June 30, 2013

Categories of Shareholders	No. of Shareholders	Total Shares Held	Percentage
Mutual Funds	2	68,355	1.10%
Directors and their spouse(s) and minor children	26	5,723,844	92.51%
Public Sector Companies and Corporations	8	37,211	0.60%
Banks, development finance institutions, non-banking finance companies	1	6,195	0.10%
General Public			
a. Local	652	322,367	5.21%
Other than those mentioned above	16	29,531	0.48%
Total	**705**	**6,187,503**	**100.00%**

Pattern of Shareholding

As at June 30, 2013

CATEGORIES OF SHAREHOLDER	NOS	SHARES HELD	%
Associated Companies, undertakings and related parties	-	-	-
Mutual Funds			
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	1	67,755	1.10
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	600	0.01
Directors and their spouse(s) and minor children			
MUHAMMAD YOUNUS TABBA	2	472,213	7.63
MUHAMMAD SOHAIL TABBA	2	477,754	7.72
MUHAMMAD ALI TABBA	2	654,710	10.58
IMRAN YUNUS	2	622,669	10.06
JAWED YUNUS TABBA	2	700,674	11.32
MARIAM TABBA KHAN	2	259,692	4.20
RAHELA ALEEM	2	432,149	6.98
AMINA ABDUL AZIZ BAWANI	2	431,023	6.97
ZULEKHA	2	288,042	4.66
KULSUM	2	293,200	4.74
ILYAS ISMAIL	1	228,242	3.69
MAIMOONA	1	136,050	2.20
NASREEN MOTAN	1	136,050	2.20
YASMEEN YAQOOB	1	135,706	2.19
MUHAMMAD ARIF ISMAIL MOTAN	1	228,242	3.69
ASLAM ISMAIL	1	227,428	3.68
Executives	-	-	-
Public Sector Companies and Corporations	8	37,211	0.60
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	1	6,195	0.10
General Public			
a. Local	652	322,367	5.21
b. Foreign	-	-	-
Other than those mentioned above	16	29,531	0.48
Totals	**705.00**	**6,187,503**	**100.00**

Share holders holding 5% or more	**Shares Held**	**Percentage**
JAWED YUNUS TABBA	700,674	11.32
MUHAMMAD ALI TABBA	654,710	10.58
IMRAN YUNUS	622,669	10.06
MUHAMMAD SOHAIL TABBA	477,754	7.72
MUHAMMAD YOUNUS TABBA	472,213	7.63
RAHELA ALEEM	432,149	6.98
AMINA ABDUL AZIZ BAWANI	431,023	6.97

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35(Chapter XI) of Listing Regulations of Karachi Stock Exchange Limited and Clause 40 (Chapter-XII) of the Listing Regulations of Lahore Stock Exchange Limited 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 Fazal Textile Mills Limited (the Company has) applied the principles contained in the CCG in the following manner;

1. The Company's board of directors include:

Category	**Names**
Executive Director	Mr. Muhammad Sohail Tabba
Non-Executive Directors	Mr. Muhammad Younus Tabba
	Mr. Muhammad Ali Tabba
	Mr. Imran Yunus Tabba
	Mr. Javed Yunus Tabba
	Mrs. Mariam Tabba Khan
	Mrs. Raheela Aleem
	Mr. Ilyas Ismail

Independent Director
The requirement of clause 1(b) of CCG relevant to the appointment of independent directors will be applicable from next election of directors of the company.

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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

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

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

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

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

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

9. The directors of the Company have given a declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance 1984 and the listing regulations of stock exchange. All directors of the company, except two, comply with education and experience as per the latest requirements of Code of Corporate Governance.

10. The board has approved the appointment of CFO, Company Secretary and head of Internal their remuneration and terms and conditions of employment.

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

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

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

14. The Company has complied with all the corporate and financial reporting requirement of the CCG.

15. The board has formed an Audit Committee comprising three members, all of whom are non-executive directors of the company, including chairman of the committee. The condition of clause I (b) of the CCG in relation to the independent director will be applicable on election of next Board of Directors of the company.

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

17. The board has formed an HR and Remuneration Committee. It comprises three members who are non-executive directors including chairman of the committee.

18. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

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

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

22. Material / price sensitive information has been disseminated among all the participants at once through stock exchanges.

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

Karachi: September 26, 2013

Muhammad Sohail Tabba
Chief Executive

Review Report to the Members on the Statement of Compliance With Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2013 prepared by the Board of Directors of Fazal Textile Mills Limited ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

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

Hyder Bhimji & Co.

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: Mohammad Hanif Razzak

Karachi: September. 26, 2013

Auditors' Report to the Members

We have audited the annexed Balance Sheet of **M/S.FAZAL TEXTILE MILLS LIMITED** (the Company) as at June 30, 2013 and the related Profit and Loss Account,Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equitytogether 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 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 the accounting policies consistently applied;

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

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account,Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of profit,total comprehensive income, its cash flows and changes in equity for the year then ended; and

d). in our opinion, zakat deductible at source under the Zakat and UshrOrdinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Hyder Bhimji & Co

HYDER BHIMJI & CO
Chartered Accountants
Engagement Partner:
Mohammad Hanif Razzak

Karachi: September 26, 2013

Balance Sheet

As at June 30, 2013

	Note	June 2013	June 2012
		Rs in 000	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**4,674,184**	3,298,455
Long term loans and advances	5	**17,971**	5,569
Long term security deposits		**1,259**	1,259
		4,693,414	3,305,283
CURRENT ASSETS			
Stores, spare parts and loose tools	6	**78,386**	64,240
Stock in trade	7	**1,285,971**	911,268
Trade debts	8	**1,154,876**	792,566
Loans and advances	9	**57,787**	47,465
Trade deposits and short term prepayments	10	**298**	38,673
Other receivables	11	**6,203**	237
Tax refunds due from government	12	**98,359**	44,733
Income tax refundable-payments less provision	13	**42,716**	8,431
Cash and bank balances	14	**19,325**	13,054
		2,743,921	1,920,668
TOTAL ASSETS		**7,437,335**	5,225,951
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	15	**150,000**	150,000
Issued, subscribed and paid-up share capital	16	**61,875**	61,875
Reserves	17	**2,087,690**	1,676,194
		2,149,565	1,738,069
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	18	**2,175,000**	675,000
Deferred Liabilities			
Staff retirement benefits	19	**55,781**	46,972
Deferred taxation	20	**18,814**	26,169
		74,595	73,141
		2,249,595	748,141
CURRENT LIABILITIES			
Trade and other payables	21	**601,164**	407,807
Accrued markup		**51,947**	33,621
Short term borrowings	22	**2,385,064**	2,298,313
		3,038,175	2,739,741
Contingencies and Commitments	23	**-**	-
TOTAL EQUITY AND LIABILITIES		**7,437,335**	5,225,951

The annexed notes from 1 to 43 form an integral part of these financial statements.

Karachi : September 26, 2013

Chairman

Chief Executive

Profit and Loss Account
For the year ended June 30, 2013

	Note	June 2013	June 2012
		Rs in 000	
Sales	24	**5,909,410**	4,698,249
Cost of sales	25	**5,088,513**	4,303,727
Gross profit		**820,897**	394,522
Distribution Costs	26	**194,872**	155,229
Administrative expenses	27	**60,320**	50,214
Other operating expenses	28	**25,253**	8,887
		280,445	214,330
		540,452	180,192
Other Income	29	**7,127**	5,580
Operating profit		**547,579**	185,771
Finance cost	30	**89,656**	22,854
Profit before taxation		**457,923**	162,917
Taxation	31	**21,677**	31,208
Profit after taxation		**436,246**	131,709
Earning per share-basic and diluted (Rupees)	32	**70.50**	21.29

The annexed notes from 1 to 43 form an integral part of these financial statements.

Karachi : September 26, 2013 | Chairman | Chief Executive

Statement of Comprehensive Income

For the year ended June 30, 2013

	June 2013	June 2012
	Rs in 000	
Profit after taxation	**436,246**	131,709
Other comprehensive income	**-**	-
Total comprehensive income	**436,246**	131,709

The annexed notes from 1 to 43 form an integral part of these financial statements.

Karachi : September 26, 2013

Chairman

Chief Executive

Cash Flow Statement

For the year ended 30 June 2013

	Note	June 2013	June 2012
		Rs in 000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		457,923	162,917
Adjustment for:			
Depreciation		160,816	86,456
Provision for slow moving / obsolete items		472	175
Provision for doubtful debts		517	122
Profit on disposal of property, plant and equipment		(2,620)	(674)
Finance cost		89,656	22,854
Provision for gratuity		21,500	14,851
Other non cash items		143	-
		270,484	123,784
		728,407	286,701
Changes in working capital			
(Increase)/Decrease in current assets			
Stores, spare parts and loose tools		(14,618)	(6,996)
Stock in trade		(374,703)	(68,832)
Trade debts		(362,827)	(119,022)
Loans and advances		(10,322)	19,247
Trade deposits and short term prepayments		38,375	(15,612)
Other receivable		(5,966)	(22,085)
Tax refunds due from government		(57,705)	-
		(787,766)	(213,300)
Increase/(Decrease) in current liabilities			
Trade and other payables		193,088	(398,233)
		(594,678)	(611,533)
Cash generated from operations		133,729	(324,832)
Payments for / receipts from			
Long term loans and advances		(12,402)	2,138
Gratuity		(12,691)	(13,969)
Finance cost		(71,330)	(10,818)
Income tax paid		(59,237)	(55,419)
		(155,660)	(78,068)
Net cash generated from/(used in) operating activities		(21,931)	(402,900)
CASH FLOW FROM INVESTING ACTIVITIES			
Direct additions to Property Plant and Equipment		(489,834)	(1,712,083)
Additions to capital work in progress		(1,055,623)	889,092
Sale proceeds from disposal of Property plant and equipment		11,389	3,781
Net cash In/(Outflow) from investing activities		(1,534,068)	(819,210)
CASH FLOW FROM FINANCIAL ACTIVITIES			
Proceeds from long term loans		1,500,000	675,000
Payment of dividend		(24,481)	(36,912)
Net cash In/(Outflow) from financial activities		1,475,519	638,088
Net decrease in cash and cash equivalents		(80,480)	(584,022)
Cash and cash equivalents at the beginning of the period		(2,285,259)	(1,701,237)
Cash and cash equivalents at the end of the period	33	(2,365,739)	(2,285,259)

The annexed notes from 1 to 43 form an integral part of these financial statements.

Karachi : September 26, 2013

Chairman

Chief Executive

Statement of Changes in Equity

For the year ended June 30, 2013

Description	Issued, Subscribed and Paid up Capital	RESERVES Capital Reserve	Revenue Reserves	Unappropriated Profit	Total
Balance as on June 30, 2011	61,875	34,416	1,185,584	361,610	1,643,485
Transfer to revenue reserves	-	-	300,000	(300,000)	-
Transaction with owners					
Final Dividend for the year ended June 30, 2011	-	-	-	(37,125)	(37,125)
Total comprehensive income for the year					
Profit for the year	-	-	-	131,709	131,709
Other comprehensive income	-	-	-	-	-
	-	-	-	131,709	131,709
Balance as on June 30, 2012	**61,875**	**34,416**	**1,485,584**	**156,194**	**1,738,069**
Transfer to revenue reserves	-	-	120,000	(120,000)	-
Transaction with owners					
Final Dividend for the year ended June 30, 2012	-	-	-	(24,750)	(24,750)
Total comprehensive income for the year					
Profit for the year	-	-	-	436,246	436,246
Other comprehensive income	-	-	-	-	-
	-	-	-	436,246	436,246
Balance as on June 30, 2013	**61,875**	**34,416**	**1,605,584**	**447,690**	**2,149,565**

The annexed notes from 1 to 43 form an integral part of these financial statements.

Karachi : September 26, 2013

Chairman

Chief Executive

Notes to the Financial Statements

For the year ended June 30, 2013.

1. LEGAL STATUS AND OPERATION:

The Company was incorporated on July 6, 1963 as a Private Limited Company under the Companies Act, 1913 (Companies Ordinance, 1984) and was converted into a Public Limited Company on May 04, 1966. The Company is quoted on Karachi and Lahore stock exchanges in Pakistan since 1971. The Company is engaged in manufacturing, selling, buying and dealing in all types of yarn and knitted fabrics. The address of its registered office is LA-2/B, Block 21, Rashid Minhas Road, federal "B" Area, Karachi, Pakistan.

2. BASIS OF PREPARATION

2.1 Basis of measurement

These financial statements comprise of balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with notes to the account and have been prepared under the 'historical cost convention' except as has been specifically stated below in respective notes.

2.2 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 the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984 provisions of and directives issued under the Companies Ordinance, 1984. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.3 Functional and presentation currency

These financial statements have been prepared in Pak Rupees, which is the Company's functional currency. All financial information presented in Pak Rupees has been rounded to nearest thousand.

2.4 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the company's accounting policies, management has made following estimates and judgments which are significant to the financial statements.

a) Property, plant and equipment

The company has made certain estimation with respect to residual value, depreciation method and depreciable lives of property, plant and equipments. Further, the company reviews the value of assets for possible impairment on each reporting period.

b) Provision for stores and spares

The Company has made estimation with respect to provision for slow moving, damaged and obsolete items and their net realizable value.

c) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note number 19 to these financial statements for valuation of present value of defined benefit obligations.

d) Income Taxes

The company takes into account relevant provision of current income tax laws while providing for current and deferred taxes as explained in note 3.2 of these financial statements.

e) Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence/non-occurrence of the uncertain future events.

2.5 New Standards, Interpretations and Amendments to Published Approved Accounting and Financial Reporting Standards

2.5.1 New and amended standards and interpretations became effective:

During the year, following amendments / revisions to the approved accounting standards became effective for the accounting periods beginning from the dates specified below;

IAS 1 **Presentation of Financial Statement-** Amendments to Presentation of items of comprehensive income (Effective for annual periods beginning on or after July 01, 2012)

This introduce new requirement to group together items in 'other comprehensive income' (OCI) that may be subsequently reclassified to profit or loss (reclassification adjustments) in order to facilitate the assessment of their impact on overall performance of the entity.

Amendment has no effect on the company's financial statement except for additional disclosure.

IAS 12 **Income Taxes - (Amendment) Deferred Taxes:** Recovery of underlying Assets (Effective for annual periods beginning on or after July 01, 2012)

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sales. Furthermore, it introduces the requirement that deferred tax on non depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the assets. The amendment is not relevant to the company.

2.5.2 Approved standards, Interpretations and Amendments to published approved accounting standards issued but not yet effective for the current financial year

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan and would be effective from the dates mentioned below against the respective standards or interpretations:

IAS 19 **Employee Benefits** - Amendment (Effective for annual periods beginning on or after January 01, 2013)

The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income (elimination of 'corridor method' for recognition of actuarial gains and losses). It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

IAS 32 **Financial Instruments: Presentation-** Disclosures about offsetting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2014)

These clarify certain aspects in the application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realization and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements.

IFRS 7 **Financial Instruments:** Disclosures- Disclosures about offsetting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2013)

These amendments require entities to disclose gross amount subject to right of set off, amounts set off in accordance with accounting standards followed, and the related net credit exposure. These disclosures are intended to facilitate comparison between those entities that prepare financial statements based on IFRS and those that prepare financial

The management anticipates that, except for the effects on the financial statements of the amendments to IAS 19 "Employee Benefits", the adoption of the above standards, amendments and interpretations, will have no material impact on the Company's financial statements other than in presentation/disclosures.

The company accounts for actuarial gain / loss with respect to actuarial valuation of its retirement benefit plan using corridor approach as stated in note 3.4. However the change will result in recognizing all the gains and losses arising from re measurement of present value of defined benefit obligation in other comprehensive income instead of using corridor limit.

Annual improvements to IFRS - 2009 - 2011 cycle (Effective for annual periods beginning on or after January 01, 2013)

The International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRSs - 2009-2011 Cycle, which contains following amendments / improvements to the approved accounting standards;

IAS 1 **Presentation of Financial Statements-** Clarification of the requirements for comparative information

This clarifies that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1. If additional comparative information is provided, the information should be presented in accordance with IFRSs, including disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

In addition, the opening statement of financial position (known as the third balance sheet) must be presented in the following circumstances: when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to accompany the third balance sheet period.

IAS 16 **Property, Plant and Equipment-** Clarification of the servicing equipments

Clarifies that Spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment and as inventory otherwise.

IAS 32 **Financial Instruments: Presentation-** Tax effect of distributions to holders of equity instruments

The amendment removes the perceived inconsistency between IAS 32 and IAS 12 and clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 **Interim financial reporting -** Interim financial reporting and segment information for total assets and liabilities

The total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

These amendments / clarification are not likely to have any material impact on the Company's financial statements.

2.5.3 New Standards issued by IASB but not yet notified by SECP

Following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan.

IFRS 9 **Financial Instruments** (Effective for annual periods beginning on or after January 01, 2015)

This is the first part of new standards on classification and measurement of financial assets that will replace IAS 39. 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 / mark-up.

IFRS 10 **Consolidated Financial Statements** (Effective for annual periods beginning on or after January 01, 2013)

This is a new standard that replaces the consolidation requirements in SIC - 12 Consolidation: Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements. The proposed standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 **Joint Arrangements** (Effective for annual periods beginning on or after January 01, 2013)

This is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangements, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.

IFRS 12 **Disclosure of Interest in Other Entities** (Effective for annual periods beginning on or after January 01, 2013)

This is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 **Fair Value Measurement** (Effective for annual periods beginning on or after January 01, 2013)

This standard applies to IFRSs that require or permit fair value measurement or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit-price' notion and uses 'a fair value hierarchy', which results in market-based, rather than entity-specific measurement.

IAS 27 **Separate Financial Statements (Revised)** - (Effective for annual periods beginning on or after January 01, 2013)

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganizations and includes a number of disclosure requirements.

IAS 28 **Investments in Associates and Joint Ventures** - (Effective for annual periods beginning on or after January 01, 2013)

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff retirement benefits

The Company operates unfunded gratuity scheme covering all employees eligible to the benefit. The present value of the defined benefit obligation has been determined on the basis of actuarial valuation carried out on the Balance Sheet date. In accordance with the requirements of IAS 19, Employees Benefits, actuarial valuation has been carried out using Projected Unit Credit Actuarial Cost Method. Main valuation assumptions used for actuarial valuation carried as on June 30, 2013 are as under:

Discount Rate	11.50% per annum
Expected rate on increase in salaries	10.50% per annum

3.2 Taxation

Current
Provision for current taxation is based on taxable income at current rates of taxation after taking in to account tax credits available rebate and exemption if any, subject to treatment in respect of tax deducted at source on export as final discharge of tax liabilities.

Deferred
Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax assets and liabilities and their carrying values for financial reporting purposes and amount used for taxation purpose.

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

3.3 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into rupee at the rates of exchange ruling on the balance sheet date except for liabilities covered under forward exchange contracts which are translated at the contract rates. The gain or loss due to the rate fluctuation is adjusted against the plant and machinery acquired under the loan or charged to profit and loss directly as the case may be.

3.4 Property, Plant & Equipment

Operating assets

These are stated at cost less accumulated depreciation and impairment loss, if any except leasehold land which is stated at cost.

Depreciation is charged on diminishing balance method at rates specified in the note 4.1. In respect of addition /deletion during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal respectively.

The costs of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits associated with the part will flow to the Company and its cost can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Gains and losses on disposal of operating assets are included in profit and loss account.

Capital Work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less impairment, if any. Cost represents expenditure incurred in the course of construction, implementation or installation of the items of property, plant and equipment. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets are available for use and start operation.

3.5 Stores, spare parts, loose tools and packing materials

These are valued at weighted average cost less provision for slow moving and obsolescence. Adequate provision is made for obsolete and slow moving items as and when required based on parameters set out by management.

Goods-in-transit are valued at invoice amount plus other costs incurred thereon up to balance sheet date.

3.6 Stocks

These are valued as follows:

Raw materials	-	At lower of cost or net realizable value on FIFO basis
Finished goods	-	At lower of average cost and net realizable value including portion of related factory overheads
Work-in-process	-	At average cost of raw material and proportionate manufacturing overheads
Waste	-	At net realizable value

Net realizable value signifies the estimated selling prices in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

3.7 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoice amount less any estimated allowance made for doubtful receivables based on review of outstanding amount at the year end. Balances considered irrecoverable are written off as and when identified.

3.8 Cash and Cash equivalent

Cash and cash equivalent are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, balances with banks in current and deposit accounts, other short term highly liquid investments less short term bank borrowings and running finance.

3.9 Revenue Recognition

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

- Sales/service income are recorded on dispatch of goods to customers;
- Rental Income is recognized as and when earned on annual basis; and
- Income of deposits is recognized on receipt basis.

3.10 Financial instruments

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or amortized cost, as the case may be.

3.11 Loans and Receivables

Financial assets which have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. These are measured at amortised cost less impairment, if any.

3.12 Employees Leave Entitlement

Employees' entitlements to annual leaves are recognized when they accrue to employee. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

3.13 Borrowings and their Cost

Borrowings are recorded at the amount of proceeds received.

Borrowing costs incurred on finances obtained for the construction/installation of qualifying assets are capitalized up to date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

3.14 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

3.15 Impairment of Assets

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicated that one or more events have had a negative effect on the estimated future cash flows of that asset.

The company considers evidence of impairment for receivable and other financial assets at specific asset level. Impairment losses are recognised as expense in profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Non-Financial assets
The carrying amount of non-financial assets is assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount of such assets is estimated. Recoverable amount is higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognised as expense in the profit and loss account for the amount by which asset's carrying amount exceeds its recoverable amount.

3.16 Dividend

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

3.17 Related Party Transactions

Transactions and contracts with related party are carried out at arms length prices determined in accordance with comparable uncontrolled price method.

3.18 Offsetting

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

	Note	**June 2013**	June 2012
		Rs in 000	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating Fixed Assets	4.1	**2,704,638**	2,197,596
Capital Work in Progress	4.2	**1,969,546**	1,100,859
		4,674,184	3,298,455

4.1 OPERATING FIXED ASSETS - TANGIBLE

2013

	Land (lease hold)	Main factory building - On Leasehold Land	Other factory building - On Leasehold Land	Plant & Machinery	Testing equipment, Scales, Weighments	Office equipments	Furniture & fixtures	Vehicles	Computer equipments	Total
	----------	----------	----------	----------	Rupees in "000"	----------	----------	----------	----------	----------
Net Carrying Value Basis Year ended June 30, 2013										
Opening net book value	545,338	485,487	397,340	739,599	869	3,515	225	22,083	3,140	2,197,596
Additions at cost										
Direct Addition	-	-	-	481,219	-	1,150	-	5,898	1,567	489,834
Transfer from CWIP	-	127,090	25,362	34,484	-	-	-	-	-	186,936
	-	127,090	25,362	515,703	-	1,150	-	5,898	1,567	676,770
Disposals / Adjustment										
Cost	-	-	-	87,855	-	-	-	882	7,681	96,418
Accumulated depreciation	-	-	-	79,138	-	-		830	7,538	87,506
	-	-	-	8,717	-	-	-	52	143	8,912
Depreciation for the year	-	49,608	19,973	84,469	86	441	23	4,774	1,442	160,816
Closing net book value	**545,338**	**562,969**	**402,729**	**1,162,116**	**783**	**4,224**	**202**	**23,155**	**3,122**	**2,704,638**
Gross Carrying Value Basis At June 30, 2013										
Cost	545,338	653,200	507,452	2,103,922	7,488	8,665	2,158	44,613	5,823	3,878,659
Accumulated depreciation	-	90,231	104,723	941,806	6,705	4,441	1,956	21,458	2,701	1,174,021
Net Book Value	**545,338**	**562,969**	**402,729**	**1,162,116**	**783**	**4,224**	**202**	**23,155**	**3,122**	**2,704,638**
Rate	**-**	**10%**	**5%**	**10%**	**10%**	**10%**	**10%**	**20%**	**33%**	

2012

	Land (lease hold)	Main factory building - On Leasehold Land	Other factory building - On Leasehold Land	Plant & Machinery	Testing equipment, Scales, Weighments	Office equipments	Furniture & fixtures	Vehicles	Computer equipments	Total
	----------	----------	----------	----------	Rupees in "000"	----------	----------	----------	----------	----------
Net Carrying Value Basis Year ended June 30, 2012										
Opening net book value	6,591	3,434	95,288	451,998	966	2,104	250	13,250	1,194	575,075
Additions at cost										
Direct Addition	-	-	-	334,374	-	1,749	-	13,404	2,887	352,414
Transfer from CWIP	538,747	494,860	310,700	15,362	-	-	-	-	-	1,359,669
	538,747	494,860	310,700	349,736	-	1,749	-	13,404	2,887	1,712,083
Disposals										
Cost	-	-	-	21,919	-	-	-	1,502	-	23,421
Accumulated depreciation	-	-	-	19,851	-	-		463	-	20,314
	-	-	-	2,068	-	-	-	1,039	-	3,107
Depreciation for the year	-	12,807	8,648	60,067	97	338	25	3,532	941	86,455
Closing net book value	**545,338**	**485,487**	**397,340**	**739,599**	**869**	**3,515**	**225**	**22,083**	**3,140**	**2,197,596**
Gross Carrying Value Basis At June 30, 2013										
Cost	545,338	526,110	482,090	1,676,074	7,488	7,515	2,158	39,597	11,937	3,298,307
Accumulated depreciation	-	40,623	84,750	936,475	6,619	4,000	1,933	17,514	8,797	1,100,711
Net Book Value	**545,338**	**485,487**	**397,340**	**739,599**	**869**	**3,515**	**225**	**22,083**	**3,140**	**2,197,596**
Rate	**-**	**10%**	**5%**	**10%**	**10%**	**10%**	**10%**	**20%**	**33%**	

	June 2013	June 2012
	Rs in 000	

4.1.1 Depreciation charge for the period has been allocated as follows :

	June 2013	June 2012
Cost of sales	154,136	81,620
Administrative expenses	6,009	4,375
Selling and distribution expenses	671	460
	160,816	86,455

4.1.2 Details of disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Sold to
	.... (Rupees in '000')						
Assets above book value of Rs. 50,000/-							
Motor Vehicles							
Honda Civic -ADA 708	882	830	52	500	448	Negotiation	Jubilee General Insurance Co.
Plant and Machinery							
Ring Spinning Frame	31,271	27,997	3,274	4,461	1,187	Negotiation	M/s Allah Wasaya Spinning Mills
Ring Spinning Frame	17,373	15,617	1,756	2,250	494	Negotiation	M/s Allah Wasaya Spinning Mills
Comber Reiter Machine	27,724	25,025	2,699	2,878	179	Negotiation	Mr. Pervaiz Ali. CNIC # 33100-5043398-1
Carding Machine	6,137	5,592	545	700	155	Negotiation	Mr. Pervaiz Ali. CNIC # 33100-5043398-1
Chute Feed for Carding	5,350	4,907	443	600	157	Negotiation	M/s Gadoon Textile Mills Ltd (related Party)
	87,855	79,138	8,717	10,889	2,172		
Total June 2013	**88,737**	**79,968**	**8,769**	**11,389**	**2,620**		
Total June 2012	23,421	20,314	3,107	3,781	674		

	Note	June 2013	June 2012
		Rs in 000	
4.2 CAPITAL WORK IN PROGRESS			
Civil Works	4.2.1	495,031	413,856
Plant, Machinery and stores items held for installation	4.2.2	-	-
Construction Cost- Civil Works of the project	4.2.3	1,474,515	687,003
		1,969,546	1,100,859
4.2.1 Civil Works			
Opening Balance		413,856	916,583
Addition For The Year	4.2.5	194,826	274,455
Borrowing Cost Capitalized		38,801	28,378
Amount transferred to Factory Building		(152,452)	(805,560)
Closing Balance		495,031	413,856
4.2.2 Plant, Machinery and stores items held for installation			
Opening Balance		-	114,479
Addition For The Year	4.2.6	34,484	17,085
Amount transferred to Plant and Machinery		(34,484)	(131,564)
Closing Balance		-	-
4.2.3 Construction Cost- Civil Works of the project			
Opening Balance		687,003	958,889
Expenditure incurred during the year		19,014	20,444
Borrowing Cost Capitalized		102,886	89,342
Amount transferred to Leasehold Land		-	(538,747)
Mobilization advance to Lucky One (Pvt) Ltd		665,612	157,075
Closing Balance	4.2.7	1,474,515	687,003

4.2.4 The company had decided to shift its production facility from Plot No LA-2/B, Block 21, F.B Area, Rashid Minhas Road, Karachi to Super Highway, Nooriabad and converted the plot from industrial to commercial use and the company in its Annual General Meeting held on 8th October 2008 approved the construction of mega mall and luxurious residential towers (the project) on the commercialized land in joint venture with Lucky Textile Mills. Moreover keeping in view the large scale of the project, both in term of size and investment, the shareholders further resolved to setup a Special Purpose Vehicle (SPV) for the purpose of construction, development and maintenance of the project. In pursuance of the resolution Lucky One (Private) Limited has been incorporated to carry out construction, development , maintenance of the project and to carry out and conduct all the formalities relating thereto.

4.2.5 This represent the expenditures incurred for civil work for building production facility at Nooriabad.

4.2.6 This represent the expenditures incurred for shifting exiting plant and machinery, cost of new items of stores and machinery and cost of installation and up gradation of plant and machinery at Nooriabad.

4.2.7 This represents commercialization, development and other charges of land situated at the existing premises and expenses for civil work incurred for the purpose of construction of the project, as under:

	Note	June 2013	June 2012
		Rs in 000	
Land development and Incidental Costs		**-**	-
Payments to consultants, contractors and suppliers		**241,160**	222,147
Mobilization advance to Luckyone (Pvt) Ltd		**822,687**	157,075
Miscellaneous		**7,459**	7,458
Borrowing cost capitalized		**403,209**	300,323
		1,474,515	687,003

5 LONG TERM LOANS AND ADVANCES

	Note	June 2013	June 2012
Considered good - Unsecured			
Loan to Employees			
- Executives	5.1	**14,540**	7,616
- Non-executive		**10,405**	8,037
		24,945	15,653
Current maturity			
- Executives		**1,620**	5,536
- Non-executive		**5,354**	4,548
		6,974	10,084
		17,971	5,569

5.1 Reconciliation of outstanding amount of loans to Executives:

	June 2013	June 2012
Balance at the beginning of the year	**7,616**	12,683
Disbursement during the year	**11,020**	1,575
Recoveries during the year	**(4,096)**	(6,642)
Balance at the end of the year	**14,540**	7,616

5.2 These interest free long term loans and advances represent the amounts given to executive and non executives employees for the purpose of housing assistance, medical expenses and for the support of children's marriage. Theses are recoverable in monthly installments within 3 years following the balance sheet date.

5.3 The maximum aggregate amount due from Executives at any month end during the year was Rs 15.220 million (2012:Rs 10.783 million).

6 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	June 2013	June 2012
Stores		**17,786**	16,265
Consumable spare parts		**49,332**	36,065
Loose tools		**896**	284
Packing material		**12,996**	13,778
		81,010	66,392
Less : Provision for slow moving and obsolete items	6.1	**2,624**	2,152
		78,386	64,240

6.1 Provision for slow moving and obsolete items:

	June 2013	June 2012
Opening balance	**2,152**	1,977
Provision during the year	**472**	175
Closing balance	**2,624**	2,152

		Note	June 2013	June 2012
			Rs in 000	
7	**STOCK IN TRADE**			
	Raw materials		928,951	701,392
	Work in process		34,728	12,206
	Finished goods		322,292	197,670
			1,285,971	911,268
8	**TRADE DEBTS**			
	Considered good			
	Export against letters of credit		963,158	672,510
	Local - unsecured	8.2	191,718	120,056
			1,154,876	792,566
	Considered doubtful			
	Local- unsecured		4,887	4,370
			1,159,763	796,936
	Less: Provision for doubtful trade debts	8.1	4,887	4,370
			1,154,876	792,566
8.1	**Provision for doubtful trade debts:**			
	Opening balance		4,370	4,248
	Provision during the year		517	122
	Closing balance		4,887	4,370

8.2 It includes amount of Rs 26.809 million (June 2012: Rs 14.36 million) due from related parties. Aging of these is as follows

	----------------- 2013 -------------------				
	Upto 1 month	**1 - 6 months**	**6 - 12 months**	**More than one year**	**Total**
Lucky Textile Mills Limited	17,222	3,916	5,307	2	26,447
Younus Textile Mills Limited	-	-	-	362	362
	17,222	3,916	5,307	364	26,809

	----------------- 2012 -------------------				
	Upto 1 month	**1 - 6 months**	**6 - 12 months**	**More than one year**	**Total**
Lucky Textile Mills Limited	8,168	5,828	2	-	13,998
Younus Textile Mills Limited	-	362	-	-	362
	8,168	6,190	2	-	14,360

8.3 The maximum aggregate amount due from related parties at any month end during the year was Rs. 29.164 million (2012 : Rs. 304.635 million).

		Note	June 2013	June 2012
			Rs in 000	
9	**LOANS AND ADVANCES**			
	Considered good			
	Current maturity of long term loans	5	**6,974**	10,084
	Advances to			
	Employees against salaries		**6,367**	5,548
	Suppliers		**44,446**	31,833
			50,813	37,381
			57,787	47,465
10	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Trade deposits and prepayments		**298**	38,673
11	**OTHER RECEIVABLES**			
	Receivables against disposal of property, plant and equipment		**6,198**	232
	Central excise duty		**5**	5
			6,203	237
12	**TAX REFUNDS DUE FROM GOVERNMENT**			
	Sales Tax		**93,653**	35,947
	Income Tax		**4,706**	8,786
			98,359	44,733
13	**INCOME TAX REFUNDABLE-PAYMENTS LESS PROVISION**			
	Taxes paid / deducted in advance		**59,237**	55,419
	Provision for current year taxation	31.1	**(16,521)**	(46,988)
			42,716	8,431
14	**CASH AND BANK BALANCES**			
	Cash in hand		**403**	2,027
	Balance with bank in :			
	- Current Accounts		**18,841**	10,951
	- Deposit Accounts	14.1	**81**	76
			18,922	11,027
			19,325	13,054

14.1 These balances carry profit at the average rate of 6% (2012: 6%).

15	**AUTHORIZED CAPITAL**			
	15,000,000 Ordinary shares of Rs 10/- each		**150,000**	150,000

	Note	June 2013	June 2012
		Rs in 000	

16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012			
4,579,094	4,579,094	Ordinary shares of Rs 10/- each fully paid issued for cash.	**45,791**	45,791
1,608,409	1,608,409	Ordinary shares of Rs 10/- each issued as fully paid bonus shares	**16,084**	16,084
6,187,503	6,187,503		**61,875**	61,875

16.1 Associate Company held nil (June 2012 : 1,142,711/ (18.5%)) ordinary shares of Rs. 10 each as at June 30, 2013.

17 RESERVES

		June 2013	June 2012
Capital Reserve			
Share premium		**34,416**	34,416
Revenue Reserve			
General Reserve			
Opening balance		**1,485,584**	1,185,584
Transfer from profit & loss account		**120,000**	300,000
		1,605,584	1,485,584
Unappropriated profit		**447,690**	156,194
		2,087,690	1,676,194

18 LONG TERM FINANCING

	Note	June 2013	June 2012
Long Term Loans From Related Parties - Unsecured	18.1	**675,000**	675,000
Long Term Loans From Banking Companies - Secured	18.2	**1,500,000**	-
		2,175,000	675,000

18.1 Long Term Loans From Related Parties - Unsecured

	June 2013	June 2012
Lucky Energy (Pvt) Ltd	**250,000**	250,000
Lucky Knits (Pvt) Ltd.	**425,000**	425,000
	675,000	675,000

18.1.1 These loans have been provided by the related parties for construction of the project. These interest free loans are repayable at the convenience of the company, however not repayable in next twelve months.

18.2 Long Term Loans From Banking Companies - Secured

	Number of Installments	Commencement of Repayment	Installment Amount	June 2013	June 2012
Bank Al- Habib Limited	12 quarterly	Dec-14	83,333	**1,000,000**	-
Bank Al- Habib Limited	12 quarterly	Jun-15	41,667	**500,000**	-
				1,500,000	-

18.2.1 These loans carry markup at the rate of average Six Month KIBOR plus 0.25% and are secured against ranking hypothecation charge over all present and future plant and machinery and constructive mortgage charge over commercial land bearing plot # LA-2/B, Block 21, Federal B Area Karachi of single and combined charge of Rs. 2,000 million.

		Note	June 2013	June 2012
			Rs in 000	
19	**STAFF RETIREMENT BENEFITS**			
	Defined benefit liability in respect of Gratuity			
	Present value of defined benefit obligation	19.1	**60,460**	39,898
	Unrecognized actuarial (loss) / gain	19.2	**(4,679)**	7,074
			55,781	46,972
19.1	**Present value of defined benefit obligation**			
	Opening balance		**39,898**	46,090
	Current Service Cost		**17,420**	10,160
	Interest Costs		**4,697**	4,691
	Benefits paid		**(12,691)**	(13,969)
	Actuarial loss / (Gain)		**11,136**	(7,074)
	Closing Net Liability		**60,460**	39,898
19.2	**Unrecognized actuarial (loss) / gain**			
	Opening balance		**7,074**	6,939
	Actuarial (loss) / Gain for the year		**(11,136)**	135
	(Gain) recognized during the year		**(617)**	-
	Closing Balance		**(4,679)**	7,074
19.3	**Charge for the year**			
	Current service cost		**17,420**	10,160
	Interest cost		**4,697**	4,691
	Actuarial (Gain) / (Loss) recognized during the year		**(617)**	-
			21,500	14,851
19.4	**Actuarial Assumptions:**			
	Valuation Discount Rate		**11.50%**	14.00%
	Salary Increase Rate		**10.50%**	13.00%
	Average expected remaining working lives in years		**5**	9

19.5 The gratuity scheme is unfunded therefore no plan assets are recognized and no contributions as a consequence are made.

		June 2013	June 2012
20	**DEFERRED TAXATION**		
	Deferred tax liabilities arising in respect of		
	Accelerated depreciation	**60,760**	35,754
	Deferred tax assets arising in respect of		
	Provisions	**(5,991)**	(9,585)
	Unabsorbed tax losses	**(35,955)**	-
		(41,946)	(9,585)
		18,814	26,169

	Note	June 2013	June 2012
		Rs in 000	
21 TRADE AND OTHER PAYABLES			
Trade creditors	21.1	**156,674**	127,519
Accrued expenses	21.1	**271,303**	158,108
Advance from customers	21.1	**142,591**	108,673
Unclaimed dividend		**2,655**	2,386
Workers profit participation fund	21.2	**24,121**	8,590
Advances from employees under vehicle scheme	21.3	**3,820**	2,531
		601,164	407,807

21.1 It includes aggregate amount due to related parties of Rs 191.208 million (June 2012 : Rs 83.064 million).

21.2 Workers Profit Participation Fund

	June 2013	June 2012
Opening balance	**8,590**	20,835
Allocation for the year	**24,121**	8,590
Add : Interest provided during the year	**378**	1,636
	24,499	10,226
	33,089	31,061
Less : Payments during the year	**(8,968)**	(22,471)
Closing balance	**24,121**	8,590

21.3 This amount represents the accumulation of monthly installments adjustable after a specified period against vehicles to be disposed under vehicle scheme.

22 SHORT TERM BORROWINGS

Secured

	June 2013	June 2012
Running finances under mark-up arrangements	**520,459**	238,253
Export Finance and Import bills	**1,864,605**	2,060,060
	2,385,064	2,298,313

22.1 Running finances carry markup at the rates ranging between 9.15% to 13.5% (2012: 10.5% to 15%) payable on quarterly basis, whereas export finances and Import bills are in foreign currency carrying markup at the ranging from 1.15% to 1.5% (2012: 1.2% to 2.25%) payable on quarterly basis. As at the balance sheet date the aggregate sanctioned limit of these short term borrowing facilities aggregated to Rs. 2,700 million (2012: 3,200 million) out of which un availed facilities amounted Rs. 315 million (2012: 902 million).

22.2 These finances are secured by first / joint / subordinated pari passu hypothecation charge over all the present and future movables and receivables including but not limited to stocks, book debts and other receivables of the company and by Lien on duly accepted foreign bills.

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies:

23.1.1 The Company has made a reference in the Honorable High Court of Sindh at Karachi u/s 133(i) of the Income Tax Ordinance, 2001 against rejection of loss of Rs 1,461,000 by the Appellate Tribunal vide M.A (Rect) No 402/KB/2005 dated January 25, 2006 for the assessment year 2002-03. The case is pending before Court for adjudication and in view of legal advisor there is no likelihood of any unfavourable outcome.

23.1.2 Deemed assessment for the tax year 2008, 2009, 2010, 2011 has subsequently been amended against which the company's appeals at first stage were successful, however the department preferred second appeal which are pending for the hearing. The tax advisor confirmed that the amount involved is Rs. 15.266 million out of which 14.540 million is in respect of deletion of WWF by the appellate commissioner. The company intends to defend appeals vigoursly

23.1.3 The Company had filed Constitutional Writ Petitions in the Honorable Supreme Court of Pakistan against the order of Honorable High Court of Sindh, Karachi, in respect of confirmation of levy of workers welfare fund for the years from the tax years 2009 to 2011. The case is pending for hearing, however the management and the legal council of the company are of the opinion that the case will be decided favorably as the company is engaged in exports hence no provision is made in these financial statements. The aggregate amount involved is Rs. 29.188 millions which includes amount of Rs.14.540 Million as stated in Note 23.1.2.

23.1.4 Bills discounted Rs. 45.997 million (2012: Rs. 221.992 million).

	Note	June 2013	June 2012
		Rs in 000	
23.2 Guarantees:			
Bank guarantees for			
Related Party		**49,918**	49,918
Others		**75,248**	69,945
		125,166	119,863
Post dated cheques issued to collector of customs		**75,916**	20,751
		201,082	140,614
23.3 Commitments:			
Outstanding letter of credits in respect of - capital expenditure		**71,901**	-
- non capital expenditure		**27,080**	2,574
		98,981	2,574

	Note	June 2013	June 2012
		Rs in 000	
24 SALES - Net			
Export		**3,628,878**	2,763,850
Local		**2,298,619**	1,930,096
Export rebate		**5,419**	6,692
Research & Development Support		**2,350**	4,423
Gross sales		**5,935,266**	4,705,061
Less:			
- Sales tax		**17,381**	-
- Export duty and surcharge		**8,475**	6,812
		25,856	6,812
		5,909,410	4,698,249
25 COST OF SALES			
Raw material consumed			
Opening inventory		**701,392**	478,322
Purchases		**3,996,692**	3,242,373
Available for consumption		**4,698,084**	3,720,695
Closing inventory		**(928,951)**	(701,392)
Raw material consumed		**3,769,133**	3,019,304
Manufacturing expenses			
Stores, spares and packing		**200,154**	162,711
Salaries, wages & other benefits	25.1	**382,321**	298,795
Power and electricity		**489,284**	413,363
Knitting, dyeing and printing charges		**199,699**	139,760
Insurance		**8,620**	3,377
Repairs and maintenance		**18,252**	15,225
Labor welfare		**5,120**	5,939
Depreciation		**154,136**	81,621
Other manufacturing expenses		**8,938**	9,222
		1,466,524	1,130,013
		5,235,657	4,149,314
Work in process - opening inventory		**12,206**	39,280
Work in process - closing inventory		**(34,728)**	(12,206)
		(22,522)	27,074
Cost of goods manufactured		**5,213,135**	4,176,388
Finished goods - opening inventory		**197,670**	325,009
Available for sales		**5,410,805**	4,501,397
Finished goods - closing inventory		**(322,292)**	(197,670)
		5,088,513	4,303,727

25.1 This includes Rs 13.230 million in respect of staff retirement benefits (2012 : 13.572 million)

	Note	June 2013	June 2012
		Rs in 000	
26 DISTRIBUTION COSTS			
Salaries, Wages and Benefits	26.1	**12,609**	8,819
Traveling and conveyance		**3,829**	5,433
Commission		**79,978**	59,072
Marine Insurance		**1,153**	-
Export freight		**47,998**	42,479
Forwarding and other distribution costs		**48,634**	38,966
Depreciation		**671**	460
		194,872	155,229

26.1 This includes Rs 2.312 million in respect of staff retirement benefits (2012 : 0.383 million)

	Note	June 2013	June 2012
27 ADMINISTRATIVE EXPENSES			
Salaries, wages & other benefits	27.1	**28,813**	20,638
Postages, telegram and telephone		**3,201**	3,949
Printing and stationery		**5,895**	5,049
Fees and subscriptions		**1,181**	1,053
Entertainment		**3,119**	3,697
Rent, rates and taxes		**1,129**	1,440
Motor car expenses		**6,746**	5,535
Insurance		**673**	407
Legal and professional charges		**701**	1,365
Auditors' remuneration	27.2	**908**	710
Advertisements		**72**	168
Donations	27.3	**883**	884
Depreciation		**6,009**	4,375
Other expenses		**990**	944
		60,320	50,214

27.1 This includes Rs 5.958 million in respect of staff retirement benefits (2012 : Rs 0.896 million)

27.2 Auditors' remuneration

	June 2013	June 2012
Audit fee	**750**	500
Half Yearly Review fee	**100**	60
Review of Code of Corporate Governance	**50**	40
Other certification	**8**	110
	908	710

27.3 None of the directors and their spouses had any interest in the donees fund.

	June 2013	June 2012
28 OTHER OPERATING EXPENSES		
Workers profit participation fund	**24,121**	8,590
Provision for slow moving items	**472**	175
Provision for doubtful debts	**517**	122
Others	**143**	-
	25,253	8,887

	Note	June 2013	June 2012
		Rs in 000	
29 OTHER OPERATING INCOME			
Income from financial assets			
- Profit on bank deposits		**51**	261
Income from non-financial assets			
- Miscellaneous income		**781**	781
- Profit on disposal of property, plant and equipment		**2,620**	674
- Doubling charges		**3,675**	3,863
		7,127	5,580
30 FINANCE COST			
Markup on short term finance		**34,143**	9,126
Interest on workers profit participation fund		**378**	1,636
Bill discounting & other bank charges and exchange differences		**55,135**	12,091
		89,656	22,854
31 TAXATION			
Provision for current year taxation		**16,521**	46,988
Prior years		**12,511**	984
Deferred Taxation	20	**(7,355)**	(16,764)
		21,677	31,208
31.1 The charge for the year is as under.			
Tax charge on direct exports		**36,289**	27,639
Tax charge on indirect exports		**6,334**	7,489
Minimum tax on local sales		**-**	11,812
Tax on profit from local sales		**9,949**	-
Tax charge on Other income not falling under F.T.R		**49**	49
Tax credit - BMR		**(36,099)**	-
		16,522	46,989
32 EARNING PER SHARE			
Profit after taxation (Rs in "000")		**436,246**	131,709
Weighted average number of ordinary shares		**6,187,503**	6,187,503
Earning per share (Rs)		**70.50**	21.29

32.1 There is no dilutive effect on the basic earnings per shares of the Company.

33 CASH AND CASH EQUIVALENTS

	June 2013	June 2012
Cash & cash equivalent comprise the following items as included in the balance sheet		
Cash and bank balances	**19,325**	13,054
Short term borrowing	**(2,385,064)**	(2,298,313)
	(2,365,739)	(2,285,259)

34 TRANSACTION WITH RELATED PARTIES

Related parties comprise of associated companies, directors of the Company, companies in which directors also hold directorship, related group companies and key management personnel. Balances outstanding with related parties have been disclosed at relevant and appropriate notes where as the transactions with related parties during the year are as follows:

	June 2013	June 2012
	Rs in 000	
With Associates		
Sale of Goods and Providing of Services		
- Lucky Knits (Pvt) Ltd.	**354,798**	191,233
- Lucky Textile Mills Ltd.	**78,185**	309,262
- Gadoon Textile Mills Ltd.	**3,790**	-
- Younus Textile Mills Ltd.	**2,357**	60,625
- Feroze 1888 Mills	**7,086**	-
	446,216	561,120
Purchase of Goods and Receipt of Services		
- Lucky Cement Ltd.	**32,665**	39,594
- Lucky Textile Mills Ltd.	**216**	154
- Gadoon Textile Mills Ltd.	**289,917**	252,359
- Lucky Knits (Pvt) Ltd.	**19,192**	57,644
- Lucky Energy (Pvt) Ltd.	**542,745**	433,971
- ICI Pakistan Ltd.	**360,201**	-
	1,244,936	783,722
Sale of Machinery		
- Gadoon Textile Mills Ltd.	**600**	-
Rent, Allied and Other Charges Received		
- Lucky Energy (Pvt) Ltd.	**781**	781
Mobilization advance		
- Lucky one (Pvt) Ltd	**665,612**	157,075
Long Term Loan Received		
- Lucky Energy (Pvt) Ltd.	**-**	250,000
- Lucky Knits (Pvt) Ltd.	**-**	425,000
Dividend Paid		
- Lucky Energy (Pvt) Ltd.	**-**	6,668
- Directors	**16,870**	17,182

34.1 All transactions with associated undertaking are at arm's length.

35 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

	June 2013 CHIEF EXECUTIVE	June 2013 OTHER EXECUTIVES	June 2012 CHIEF EXECUTIVE	June 2012 OTHER EXECUTIVES
	Rupees in "000"			
Remuneration	**1,000**	**7,156**	1,000	6,634
House rent	**400**	**2,863**	400	2,654
Bonus / compensated absences	**-**	**3,261**	-	3,069
Utilities	**100**	**716**	100	663
	1,500	**13,996**	1,500	13,020
Number of persons	**1**	**9**	1	9

35.1 Chief Executive and other executives are provided company maintained car and security guards.

35.2 Meeting fee and remuneration is not paid to any director.

36 FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets and Liabilities of the company, interest and non interest bearing, along with their maturities are as follows

	Jun-13						
	Markup/Interest Bearing			Non Markup / Interest Bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
	(Rupees in "000")						
FINANCIAL ASSETS							
Loans and receivables							
Long term loans and advances	-	-	**-**	6,974	17,971	**24,945**	**24,945**
Long term security deposits	-	-	**-**	-	1,259	**1,259**	**1,259**
Trade debts	-	-	**-**	1,159,763	-	**1,159,763**	**1,159,763**
Loans and advances	-	-	**-**	6,367	-	**6,367**	**6,367**
Trade Deposits	-	-	**-**	298	-	**298**	**298**
Other receivables	-	-	**-**	6,203	-	**6,203**	**6,203**
Cash and bank balances	81	-	**81**	19,244	-	**19,244**	**19,325**
	81	-	**81**	1,198,849	19,230	**1,218,079**	**1,218,160**
FINANCIAL LIABILITIES							
At Amortized cost							
Long term financing	-	1,500,000	**1,500,000**	-	675,000	**675,000**	**2,175,000**
Staff retirement benefits	-	-	**-**	55,781	-	**55,781**	**55,781**
Trade and other payables	24,121	-	**24,121**	570,568	-	**570,568**	**594,689**
Accrued markup	-	-	**-**	-	51,947	**51,947**	**51,947**
Short term borrowings	2,385,064	-	**2,385,064**	-	-	**-**	**2,385,064**
	2,409,185	1,500,000	**3,909,185**	626,349	726,947	**1,353,296**	**5,262,481**
OFF BALANCE SHEET ITEMS							
Bank Guarantees	75,248	49,918	**125,166**	-	-	**-**	**125,166**
Letters of credit	98,981	-	**98,981**	-	-	**-**	**98,981**
Bills Discounted	-	-	**-**	45,997	-	**45,997**	**45,997**
	174,229	49,918	**224,147**	45,997	-	**45,997**	**270,144**

	Jun-12						
	Markup/Interest Bearing			Non Markup / Interest Bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
	(Rupees in "000")						
FINANCIAL ASSETS							
Loans and receivables							
Long term loans and advances	-	-	-	10,084	5,569	15,653	15,653
Long term security deposits	-	-	-	-	1,259	1,259	1,259
Trade debts	-	-	-	796,936	-	796,936	796,936
Loans and advances	-	-	-	5,548	-	5,548	5,548
Trade Deposits	-	-	-	38,673	-	38,673	38,673
Other receivables	-	-	-	237	-	237	237
Cash and bank balances	76	-	76	12,978	-	12,978	13,054
	76	-	76	864,456	6,828	871,284	871,360
FINANCIAL LIABILITIES							
At Amortized cost							
Long term financing	-	-	-	-	675,000	675,000	675,000
Staff retirement benefits	-	-	-	-	46,972	46,972	46,972
Trade and other payables	-	8,590	8,590	394,300	-	394,300	402,890
Accrued markup	-	-	-	33,621	-	33,621	33,621
Short term borrowings	2,298,313	-	2,298,313	-	-	-	2,298,313
	2,298,313	8,590	2,306,903	427,921	721,972	1,149,893	3,456,796
OFF BALANCE SHEET ITEMS							
Bank Guarantees	49,918	69,945	119,863	-	-	239,726	359,589
Letters of credit	2,574	-	2,574	-	-	-	2,574
Bills Discounted	-	-	-	221,992	-	221,992	221,992
	52,492	69,945	122,437	221,992	-	461,718	584,155

The effective interest/markup rates for the financial assets and liabilities are mentioned in respective notes to the financial statements. While commission chargable on off balance sheet items is chargable as advised by the banks.

37 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's activities expose it to a certain financial risks:
- Credit risk
- Liquidity risk
- Market risk (including currency risk, interest rate risk and other price risk)

The Company's overall risk management programs focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Treasury Sub Committee (the Committee) of the Executive Committee (EXCO) of the Board of Directors (the Board) under policies approved by the board. The Board provides formal principles for overall risk management, as well as significant policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

The information about the company's exposure to each of the above risk, the company's objectives, policies and procedures for measuring and managing risk, and the company's management of capital, is as follows;

37.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk interalia by limiting advances and credit to individual customers based on their credit worthiness, obtaining advance against sales, obtaining collaterals where considered necessary and making appropriate provision for doubtful receivables.

Exposure to credit Risk

Company's credit risk is mainly attributable to loans and advances, balances with banks and financial institutions, and credit exposure to customers, including trade receivables and committed transactions. The maximum exposure of the company to credit risk is as follows:

	Note	June 2013	June 2012
		Rs in 000	
Loans and advances		**31,312**	21,201
Long term security deposit		**1,259**	1,259
Trade debts		**1,159,763**	796,936
Other receivables		**6,203**	237
Bank balances		**18,922**	11,027
		1,217,459	830,660

Loans and advances

These loans and advances are essentially due from employees and are usually adjustable against their salaries and retirement benefit balances. The Company is actively pursuing for the recovery of the these and the Company does not expect these employees will fail to meet their obligations. Hence the company believes that no impairment allowance is necessary in respect of loans.

Trade Debts

Trade debts are essentially due from local and foreign customers and the Company does not expect that these companies will fail to meet their obligations. Export debts are secured under irrevocable letter of credit, document acceptance, cash against documents and other acceptable banking instruments.

The Company is actively pursuing for the recovery of the debt and considering the strong business relationship and financial soundness of the customer the Company does not expect these companies will fail to meet their obligations except for certain doubtful trade debts.

The Company established an allowance for the doubtful trade debts that represent its estimate of expected losses in respect of trade debts. This allowance is based on the management assessment of a specific loss component that relates to individually significant exposures.

Other receivables

The Company believes that no impairment allowance is necessary in respect of receivables. The Company is actively pursuing for the recovery and the Company does expect that the recovery will be made soon.

Bank balances

The company maintains balances with banks that have good and stable credit rating. Given these credit ratings, management does not expect that any counter party will fail to meet their obligations. The bank balances along with credit ratings are stated below:

	Long Term Rating	Short Term Rating	June 2013	June 2012
			Rs in 000	
Allied Bank Limited	AA+	A1+	**7,041**	5,623
Bank AL Falah Limited	AA	A1+	**1,424**	1,021
Bank Al Habib Limited	AA+	A1+	**7,130**	73
Citi Bank Limited	P2	A3	**18**	3
Bank Of America Ltd.	A-	A-2	**-**	585
Faysal bank Limited	AA	A1+	**97**	95
Habib Bank Limited	AA	A1+	**-**	1,525
Habib Metropolitan Bank Ltd.	AA+	A1+	**1,903**	1,901
Meezan Bank Limited	AA	A1+	**1,255**	147
NIB Bank Limited	AA-	A1+	**52**	52
Standard Chartered Bank Ltd.	AAA	A1+	**1**	2
			18,921	11,027

Financial assets that are either past due or impaired

The credit quality of financial assets that are either past due or impaired can be assessed by reference to historical information and external ratings or to historical information about counter party default rates.

As at the balance sheet date, no financial assets of the company were either past due or impaired expect for past due doubtful trade debts that has been provided prudently. These relates to a number of independent customers for whom there is no recent history of default. The aging analysis of the financial assets is as follows:

Financial Assets not past due	**1,213,273**	866,990
Financial Assets Past due but not impaired		
- 06 - 12 months	**1,320**	1,230
- more than one year	**3,567**	3,140
	4,887	4,370
	1,218,160	871,360

The Company is actively pursuing for the recovery of these financial assets and considering the strong business relationship with the counterparties since long and giving due consideration to their financial soundness the management does not expect non-performance by these counter parties on their obligations to the company and hence it is not exposed to any significant credit risk.

37.2 Liquidity risk

Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. Contractual maturities of financial liabilities, including interest payments excluding the impact of netting arrangements, are shown in the Note 6.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The management forecasts liquidity risks on the basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements.

At June 30, 2013, the Company has Rs. 2,707 million (2012: Rs. 3,105 million) available borrowing limit from financial institutions. Unutilized borrowing facilities of Rs. 322 million (2012: Rs. 807 million) and also had Rs. 19 million (2012: Rs.11 million) being balances at banks. Based on the above, management believes the liquidity risk is insignificant.

37.3 Market Risk

Market risk is the risk that the fair value or future cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. Market risk comprises of three types of risks: Foreign Exchange / Currency risk, interest rate risk and other price risk. The company is exposed to currency risk and interest rate risk only.

a) Foreign exchange / Currency risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arise mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.

Currently, the Company's foreign exchange risk exposure is restricted to the amount receivable / payable from / to the foreign entities and outstanding letters of credit. The Company is exposed to foreign currency risk arising from foreign exchange fluctuations due to the following financial assets and liabilities:

	June 2013	June 2012
	------USD in thousands------	
Trade Debts	**9,656**	7,177
Short Term Borrowing	**(18,693)**	(21,984)
Net Exposure	**(9,037)**	(14,807)
Net Balance Sheet Exposure in PKR (000)	**(901,447)**	(1,387,550)
	Rupees in '000'	
Foreign currency commitments outstanding at year end are as follows:		
USD	**23,891**	-
EURO	**3,189**	2,574
CHF	**71,901**	-
	98,981	2,574
The following significant rates applied during the year:		
	2013	2012
Rupee per USD		
Average rate	**98.49**	89.25
Reporting date rate	**99.75**	93.70

Foreign exchange sensitivity analysis

A 10 percent strengthening / weakening of the PKR against the USD at June 30, 2013 would have increased / decreased the shareholders equity and profit / loss after tax by Rs.58.594 million (2012: 90.191 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2012.

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

b) Interest / Markup rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in the interest / mark-up rates. The exposure to interest rate risk is mainly arises in respect of variable markup / interest bearing long term and short borrowings from banks. The Company's net exposure to markup/interest rate risk is as follows;

	June 2013	June 2012
	Rs in 000	
Long term finance	**1,500,000**	-
Short term borrowings	**2,385,064**	2,298,313
Worker's profit participation fund	**24,121**	8,590
Bank balances	**(81)**	(76)
	3,909,104	2,306,827

The Company is significantly subject to variable mark-up / interest rates risk on long and short term financing. The company actively monitors the markup / interest rate fluctuations and take appropriate actions to cover any adverse effect these fluctuations.

Cash flow sensitivity analysis

As at the balance sheet date, if the interest rates would have been 1% higher / lower with all other variables held constant, post tax profit for the year and shareholders equity would have been Rs 25.410 million (2012: 14.994 million) lower/higher, mainly as a result of higher / lower interest expense on the net exposure.

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 would not effect profit or loss of the Company.

c) Other price risk

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 or currency rate risk), whether those changes are caused by factors specified to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investment in equity securities. The Company is also not exposed to commodity price risk since it has a diverse portfolio of commodity supplier.

38.5 Fair value of Financial Assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value except those which are described in policy notes.

38 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

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

During year the Company's strategy was to maintain gearing. The gearing ratio as at balance sheet date is as follows:

	June 2013	June 2012
	Rs in 000	
Total borrowings	**4,560,064**	2,973,313
Cash and bank	**(19,325)**	(13,054)
Net debt / (cash)	**4,540,739**	2,960,259
Total equity	**2,149,565**	1,738,069
Total capital	**6,690,304**	4,698,328
Gearing ratio	**68%**	63%

39 NO OF EMPLOYESS

	June 2013	June 2012
As on balance sheet date	**761**	795
Average during the year	**753**	780

40 SUBSEQUENT EVENT

The Board of Directors at their meeting held on September 26, 2013 have proposed a cash dividend of Rs. 5/- per share (2012 : Rs 4/- per share) for the year ended June 30, 2013, amounting to Rs. 30.938 million (2012 : Rs. 24.750 million), and transfer to general reserve of Rs. 400 million (2012 : Rs 120 million) subject to the approval of members at the annual general meeting to be held on October 28, 2013.

41 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue by the Board of Directors on September 26, 2013.

42 RECLASSIFICATION:

For correct better presentation, following reclassification have been made in the comparative financial statements,

RECLASSIFICATION FROM COMPONENTS	RECLASSIFICATION TO COMPONENTS	AMOUNT (Rs. In '000')
Other receivables Sales Tax Refundable	**Tax refunds due from government** Sales Tax Refundable	35,947
Income tax refundable-payments less provision Prior Year	**Tax refunds due from government** Income Tax	(984)
Administrative expense Depreciation	**Selling and distribution expense** Depreciation	460
Capital Work in Progress - Civil Work Additions for the year Transfer during the year	**Capital Work in Progress - Plant and Machinery** Additions for the year Transfer during the year	15,362

43 GENERAL

Figures have been rounded off to the nearest thousand rupees.

Karachi : September 26, 2013 — Chairman — Chief Executive

Form of Proxy

The Company Secretary
FAZAL TEXTILE MILLS LTD.
LA-2/B Block # 21, Rashid Minhas Road,
Federal 'B' Area, Karachi - 75950.

I / We ______________________________
of ______________________________ (full address)

being a member of **FAZAL TEXTILE MILLS LTD.** hereby appoint ______________________________
of ______________________________ (full address)
or failing him ______________________________
of ______________________________ (full address)

another member of the Company to attend and vote for me / us and on my / our behalf at the 50th Annual General Meeting of the Company to be held on October 28, 2013 at 11:00 Hrs and at any adjournment thereof.

As witness my / our hand this ____________ day of ____________ 2013.

Witness No.1

Name ______________________________

Address ______________________________

____

____

NIC No. ______________________________

Rs.5/-
Revenue
Stamp

____
Signature of Member(s)

Witness No. 2

Name ______________________________

Address ______________________________

____

____

NIC No. ______________________________

____
(Name in Block letters)

Folio No ______________________________

Participant ID No ______________________________

Account No. in CDS ______________________________

Important:

1. A member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of him / her. No person shall act as a Proxy (except for a corporation) unless he / she is entitled to be present and vote in his / her own right.
2. Members are requested:
   (a) to affix Revenue Stamp of Rs. 5/- at the place indicated above.
   (b) to sign across the Revenue Stamp in the same style of signature as is registered with the Company.
   (c) to write down their Folio Numbers/Participant ID Numbers/Account Numbers in CDS(as applicable) at the place indicated above.
3. The instrument appointing a proxy, together with the Board of Directors' resolution / Power of Attorney (if any) under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time for holding the meeting.
4. CDC Account Holders are requested to strictly follow the guidelines mentioned in Circular No.1 dated January 26, 2000 of SECP.
5. CDC Account Holders or their proxies are each requested to attach an attested photocopy of their National Identity Card or Passport to this proxy form when submitting the same to the Company.

If undelivered please return to:

FAZAL TEXTILE MILLS LIMITED
LA-2/B Block-21, Rashid Minhas Road,
Fedral 'B' Area, Karachi, Pakistan.
Tel : (92-21) 36321311
Fax : (92-21) 36313372
Email : finance@fazaltextile.com
www.fazaltextile.com

CORPORATE