

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





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COMPANY INFORMATION

CHAIRMAN	:	MR. NASEER AHMAD SHAH
CHIEF EXECUTIVE OFFICER	:	MR. SHAHID NAZIR AHMAD
DIRECTORS	:	MR. MUHAMMAD ARSHAD
	:	MR. MATLOOB HUSSAIN
	:	MR. SHAHID IQBAL
	:	MR. FAZAL AHMAD
	:	MR. SHOAB AHMAD KHAN (NIT-Nominee)
COMPANY SECRETARY	:	MIAN ABDUL BARI
CHIEF FINANCIAL OFFICER	:	MR. TANVEER AHMAD SIDDIQUI
AUDIT COMMITTEE	:	MR. FAZAL AHMAD (Chairman)
	:	MR. MATLOOB HUSSAIN
	:	MR. SHAHID IQBAL
HR & REMUNERATION COMMITTEE	:	MR. MUHAMMAD ARSHAD (Chairman)
	:	MR. NASEER AHMAD SHAH
	:	MR. SHAHID IQBAL
AUDITORS	:	M/S. RIAZ AHMAD & COMPANY CHARTERED ACCOUNTANTS
SHARE REGISTRAR	:	ORIENT SOFTWARE & MANAGEMENT SERVICES (PVT) LIMITED 35-Z, AMEER PLAZA, OPP: MUJAHID HOSPITAL, COMMERCIAL CENTRE, MADINA TOWN, FAISALABAD. PHONE: 041-8711930-8715759 FAX: 041-8711930
REGISTERED OFFICE	:	UNIVERSAL HOUSE, WEST CANAL ROAD, FAROOQABAD, FAISALABAD. PHONE: 041-8734910 -12 FAX: 041-8731180
MILLS	:	32-K.M., SHEIKHUPURA ROAD, FAISALABAD.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual General Meeting of the members, holding Ordinary Shares of Masood Textile Mills Limited, will be held at its Registered Office, Universal House, West Canal Road, Farooqabad, Faisalabad on Thursday, 31st October, 2013 at 11:00 A.M. to transact the following business:

1. To confirm the minutes of the last Extra-Ordinary General Meeting held on 31st March, 2013.
2. To receive and adopt the Audited Accounts of the Company for the financial year ended 30th June, 2013.
3. To approve the payment of cash dividend @ 17½ % (Rs. 1.75 per ordinary share), as recommended by the Board of Directors.
4. To appoint Auditors and to fix their remuneration for the financial year ending 30th June, 2014. M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible offer themselves for their re-appointment.

SPECIAL BUSINESS:

5. To consider and if deemed fit to pass the following resolutions with or without modification as Special Resolution to authorize the Company for increasing the authorized capital and accordingly to approve alterations in clause-V of Memorandum of Association of the Company:

"Resolved that the current authorized share capital of the Company of Rupees 1,250,000,000 (Rupees One Thousand Two Hundred Fifty Million only) divided into 65 000 000 (Sixty Five Million) Ordinary Shares of Rupees 10 each and 60 000 000 (Sixty Million) Preference Shares of Rs. 10 each, be and is hereby increased and changed to authorized share capital of Rupees 1,850,000,000 (Rupees One Thousand Eight Hundred Fifty Million Only), comprising of 125 000 000 (One Hundred Twenty Five Million) Ordinary Shares and 60 000 000 (Sixty Million) Preference Shares of Rs. 10 each."

"Resolved further that the Memorandum of Association of the Company be and is hereby amended to reflect the increase & the changes in the authorized share capital of the Company by substituting the existing object clause V of the Memorandum of Association with the following clause V:"

"V. The authorized share capital of the Company is Rupees 1,850,000,000 (Rupees One Thousand Eight Hundred Fifty Million Only) divided into 125 000 000 (One Hundred Twenty Five Million) Ordinary Shares of Rupees 10 each (Ten Only) and 60 000 000 (Sixty Million) Preference Shares of Rupees 10 each (Ten Only) with the power to increase or reduce the capital and to divide the shares in the capital for the time being into several classes in accordance with the provisions of the Companies Ordinance, 1984 and any rules made thereunder, and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association for the time being, and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company."

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

At present the Company has an authorized capital of Rupees 1,250,000,000. In future, the Company intends to issue further shares which will cross the limit of present authorized capital. Accordingly, the Board of Directors have recommended to raise authorized capital with an additional amount of Rupees 600,000,000. This increase in authorized capital will necessitate amendments in clause V of the Memorandum of Association of the Company. For this purpose it is proposed that the resolutions set out in the Notice of Annual General Meeting of the Company for increase in authorized capital be passed as Special Resolutions. Moreover, the Directors have no special interest in the proposed increase of authorized share capital, except to the extent of their shareholding.

6. To consider any other business that may be placed before the meeting with the permission of the chair.

FOR AND ON BEHALF OF THE BOARD

Faisalabad: 05 October, 2013.

(COMPANY SECRETARY)

NOTES:

1. Share Transfer Books for Ordinary Shares of the Company will remain closed from 28th October to 5th November 2013 (both days inclusive) for the determination of entitlement of cash dividend on Ordinary Shares. Physical transfers / CDS Transactions IDs, received in order at Registered Office of the Company or our Share Registrar, by the close of business on 27th October, 2013 will be treated in time.
2. Share Transfer Books for Preference Shares of the Company will remain closed from 28th October to 5th November 2013 (both days inclusive) for determining the entitlement of Preferred Dividend calculated at average six months KIBOR+200 bps p.a. (Rs.1.27 per share). Physical transfers / CDS Transactions IDs, received in order at Registered Office of the Company or our Share Registrar, by the close of business on 27th October, 2013 will be treated in time.
3. A shareholder entitled to attend and vote at this meeting may appoint another shareholder as his/her proxy to attend and vote on his/her behalf. The instrument appointing a Proxy and Power of Attorney or other authority under which it is signed or notarially certified copy of the Power of Attorney must be received at the Registered Office of the Company, duly stamped, signed and witnessed not later than 48 hours before the meeting. An instrument of Proxy applicable for meeting is attached herewith. However, Preference Shareholders are not entitled to attend the meeting, since Preference Shares carry no voting rights.
4. Share holders whose shares are deposited with Central Depository System (CDS) are requested to bring their Computerized National Identity Card (CNIC) along with their Account Number in CDS for verification. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures of the nominee shall be produced (unless provided earlier) at the time of the meeting.
5. Share holders are requested to notify any change in their addresses immediately. The share holders claiming exemption from Zakat are required to file their Declaration with our Share Registrar. Moreover, the share holders who have not yet submitted their Computerized National Identity Cards to the Company are requested once again to send them at their earliest, in compliance to the instructions of Securities & Exchange Commission of Pakistan for printing CNIC # on Dividend Warrants.



DIRECTORS' REPORT TO THE MEMBERS

The Directors of the Company are pleased to present their 29th Annual Report, comprising of Annual Accounts of the Company for the financial year ended 30th June, 2013 along with Auditors' Report thereon and other required information prescribed under the Code of Corporate Governance. The financial results of the Company for the year under discussion reflect a healthy increase of 18% in sales which were increased from Rupees 19.275 Billion to Rupees 22.745 Billion during the year under review, mainly on account of increase in exports. Gross Profit margin was improved from Rupees 3.222 Billion to Rupees 3.906 Billion as compared with the corresponding previous year. The profit for the year before taxation was considerably enhanced from Rupees 999.230 Million to Rupees 1,129.196 Million, thus reflecting net increase of 13% over previous year. Thus, earning per share-basic was improved from Rupees 13.92 to Rupees 15.11 during the year under review. The declared financial results express encouraging state of affairs inspite of prevailing shortage of energy, coupled with general inflationary trend of cost components etc. Despite all above, the management continued its aggressive marketing strategies to boost exports in most competitive International Markets. Moreover, the management also made aggressive efforts to enhance efficiency and reduction in cost by better utilization of available resources at all stages of production. The comparative financial results of the Company are reproduced, hereunder:

	2013 (RUPEES IN THOUSAND)	2012
SALES	22,744,589	19,274,793
COST OF SALES	<u>(18,838,816)</u>	<u>(16,052,482)</u>
GROSS PROFIT	3,905,773	3,222,311
DISTRIBUTION COST	<u>(1,270,852)</u>	<u>(910,442)</u>
ADMINISTRATIVE EXPENSES	<u>(385,512)</u>	<u>(310,523)</u>
OTHER EXPENSES	<u>(59,613)</u>	<u>(65,641)</u>
	<u>(1,715,977)</u>	<u>(1,286,606)</u>
	2,189,796	1,935,705
OTHER INCOME	<u>45,486</u>	<u>62,863</u>
PROFIT FROM OPERATIONS	2,235,282	1,998,568
FINANCE COST	<u>(1,105,926)</u>	<u>(999,338)</u>
SHARE OF LOSS FROM ASSOCIATE	<u>(160)</u>	<u>-</u>
PROFIT BEFORE TAXATION	1,129,196	999,230
TAXATION	<u>(222,838)</u>	<u>(163,864)</u>
PROFIT AFTER TAXATION	<u>906,358</u>	<u>835,366</u>
EARNINGS PER SHARE - BASIC (RUPEES)	<u>15.11</u>	<u>13.92</u>
- DILUTED (RUPEES)	<u>11.62</u>	<u>9.83</u>

Our expansion/BMR programme is a continuing process. Accordingly, required expansion/BMR was also made during the year under reference for enhancing production facilities to meet the requirements of our customers. It was carried out to attract more markets in Europe and Asia for further business opportunities to produce better financial results. Likewise, to achieve cost effective production, we have been operating our steam/thermo oil boilers on bio-mass to meet the steam and heating requirements during gas load shedding period.

In spite of above challenges, the management is committed to mitigate the adverse affects of above factors by implementing improved efficiencies and productivity and effective cost control measures. The management of Company is expecting better financial results in the subsequent period based on its management strategy and cost control measures.

Energy shortage is a challenge in the country. In order to address this issue, the Company under the authority of a special resolution passed on 28th November, 2012 will make an equity investment of Rupees 200.000 million in its associate company namely "Biomass Power Generation Limited" for setting up 12 Mega-Watt Biomass Based Power Generation Plant. The Company has invested Rupees 0.160 million in the equity of its associated company so far. The Company intends to make further investment in the project in future as and when required upto the extent of Rupees 200.000 million.

Keeping in view the profitability and in line with continuous payout history of the Company, your Directors have recommended 17½ % cash dividend (Rs. 1.75 per ordinary share) for holders of Ordinary Shares for the financial year, under review.

In addition to Ordinary Shares, the Company had originally issued 60.000 million Preference Shares of the value of Rupees 600.000 million to the financial institutions to meet its funds requirements. After expiry of their maturity, the process of their redemption continued at the option of the Company. During the financial year under review, fourth redemption of 1 333 334 Preference Shares was affected, as per our obligation. Under the agreed terms and conditions, Preferred Dividend of Rupees 1.27 per share has been computed against balance 39 500 000 Preference Shares on the basis of average six months KIBOR+200 bps p.a.

During the financial year under review, fresh Election of Directors was held to elect Seven Directors of the Company for the next term of three years. The Board has conveyed its gratitude over the good gesture of the Shareholders who expressed their confidence in the existing team by re-electing the same Directors for the next term. However, the Board is pleased to entertain the substitution of NIT-Nominee Director, by appointing Mr. Shoaib Ahmad Khan, for the remainder period, in place of Mr. Muhammad Yousuf Memon, the outgoing Director. The new appointment is most welcome by the Board. It is hoped that the Company would avail the benefits of valuable advice and corporate experience of NIT.

The Securities & Exchange Commission of Pakistan has already introduced the "Code of Corporate Governance"-2012 in order to enhance the investors' confidence. It was subsequently made part of the Listing Regulations of all the Stock Exchanges of Pakistan and became applicable to all public listed companies. By raising certain new requirements, the objective was to further improve and raise the standards of corporate governance in the country while at the same time taking into consideration the global developments in corporate governance. The Directors are, therefore, desirous of making compliance of different provisions of the Code by employing their efforts. It was mandatory for the listed companies to make appropriate arrangements to carry out orientation courses for their Directors to acquaint them with the Code, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of their companies for and on behalf of shareholders. It shall be mandatory for all the directors of the listed companies to have certification under any directors' training program offered by institutions that meet the criteria specified by SECP. It was also provided that from June 30, 2012 to June 30, 2016 every year, a minimum of one director on the Board shall acquire the said certification under this program each year and thereafter all directors shall obtain it. It is a matter of satisfaction to report that incompliance to these instructions, Mr. Naseer Ahmad Shah, Chairman of the Company, obtained the required certification under the Director's Training Programme from the University of Lahore. It is hoped that such training would be continued in future.



Keeping in view the relevant provisions of Corporate Governance-2012, the Directors are pleased to state that financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity. Proper books of account have been maintained. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained. The Directors further state that the system of internal control is sound in design and has been effectively implemented and monitored. There are no significant doubts upon the Company's ability to continue as a going concern.

Five meetings of the Board of Directors were held during the financial year, with the following attendance:

S.No	Name of Directors	No. of Meetings Attended
1.	Mr. Naseer Ahmad Shah	5
2.	Mr. Shahid Nazir Ahmad	4
3.	Mr. Muhammad Arshad	5
4.	Mr. Matloob Hussain	5
5.	Mr. Shahid Iqbal	5
6.	Mr. Fazal Ahmad	5
7.	Mr. Muhammad Yousaf Memon (NIT-Nominee)	3

Likewise, five meetings of the Audit Committee were held during the financial year, with the following attendance:

S.No	Name of Directors	No. of Meetings Attended
1.	Mr. Fazal Ahmad	5
2.	Mr. Matloob Hussain	5
3.	Mr. Shahid Iqbal	5

M/s Riaz Ahmed & Company, Chartered Accountants, retire and being eligible, offer themselves for their re-appointment. As advised by the Audit Committee, the Board of Directors has recommended their re-appointment as auditors of the Company for the next financial year ending 30th June, 2014.

The Statement of Compliance with the Code of Corporate Governance is enclosed. Annexed to the Directors' Report, we are enclosing our comparative financial data for the last six years. We are also enclosing Form-34 containing the pattern of share holding along with additional information, as on 30th June, 2013.

We remain very optimistic about the future growth prospects of the Company, keeping in view the hard working and devoted efforts of the workers and officers of the Company. Accordingly, the Board expresses its gratitude for maintaining healthy atmosphere and good relations amongst the labour community and achieving the high targets of the Company successfully. We also convey our appreciation for the patronage and support of our customers, suppliers, bankers, advisers and shareholders for expressing their confidence in the Company.

FOR AND ON BEHALF OF THE BOARD

Faisalabad: 05 October, 2013

(SHAHID NAZIR AHMAD)
Chief Executive Officer

SIX YEARS FINANCIAL RESULTS

	(RUPEES IN THOUSAND)					
	2013	2012	2011	2010	2009	2008
SALES	22,744,589	19,274,793	18,524,930	14,720,830	10,946,180	7,884,785
COST OF SALES	(18,838,816)	(16,052,482)	(15,552,188)	(12,085,511)	(8,851,416)	(6,428,798)
GROSS PROFIT	3,905,773	3,222,311	2,972,742	2,635,319	2,094,764	1,455,987
DISTRIBUTION COST	(1,270,852)	(910,442)	(828,796)	(836,458)	(605,061)	(348,281)
ADMINISTRATIVE EXPENSES	(385,512)	(310,523)	(283,558)	(219,050)	(160,057)	(139,577)
OTHER EXPENSES	(59,613)	(65,641)	(53,016)	(94,351)	(71,077)	(29,855)
	(1,715,977)	(1,286,606)	(1,165,370)	(1,149,859)	(836,195)	(517,713)
	2,189,796	1,935,705	1,807,372	1,485,460	1,258,569	938,274
OTHER INCOME	45,486	62,863	60,649	14,242	11,397	8,700
PROFIT FROM OPERATIONS	2,235,282	1,998,568	1,868,021	1,499,702	1,269,966	946,974
FINANCE COST	(1,105,926)	(999,338)	(923,074)	(595,274)	(719,855)	(538,964)
SHARE OF LOSS FROM ASSOCIATE	(160)	-	-	-	-	-
PROFIT BEFORE TAXATION	1,129,196	999,230	944,947	904,428	550,111	408,010



VISION STATEMENT

- A leading producer of textile products by providing the highest quality of products and services to its customers.
- To strive excellence through commitment, integrity, honesty and team work.
- Highly ethical company and be respected corporate citizen to continue playing due role in the social and environmental sectors of the company.
- To develop and extremely motivated and professional trained work force, which would drive growth through innovation and renovation.
- Sustained growth in earning in real terms.

MISSION STATEMENT

Our mission is to be a dynamic, profitable and growth oriented company by providing good return on investment to its shareholders and investors, quality products to its customers, a secured and friendly environment place of work to its employees and to project Pakistan's image in the international market.



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

This statement is being prescribed to comply with the Code of Corporate Governance contained in Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors representing minority interests on its Board of Directors. At present the Board includes.

<u>Category</u>	<u>Names</u>
Independent Director :	Mr. Muhammad Yousuf Memon
Executive Director :	Mr. Shahid Nazir Ahmad
Non-Executive Directors :	Mr. Naseer Ahmad Shah, Mr. Muhammad Arshad Mr. Shahid Iqbal, Mr. Fazal Ahmad and Mr. Matloob Hussain

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 tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy was occurred on the Board during the financial year under review. However, new election of Directors was held during the year to appoint seven Directors for the next term of three years.
5. The Company will prepare a 'Code of Conduct' and will ensure 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, were 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 and the Board met at least once in every quarter. Written Notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged the prescribed training programme for its Chairman / Director from the University of Lahore to carry out Orientation Course, to acquaint him with the code, applicable laws, his duties and responsibilities to enable him to effectively manage the affairs of the Company.
10. The Board have approved appointments of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.



MASOOD TEXTILE MILLS LIMITED

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company, 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 of three non- executive directors including the Chairman of the Committee.
18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company' securities, was determined and intimated to the directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with, except those towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

For Masood Textile Mills Limited

Faisalabad:
05 October, 2013

(SHAHID NAZIR AHMAD)
Chief Executive Officer

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

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

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

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

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

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of Engagement Partner
Mubashar Mahmood

Date: 05 October 2013
FAISALABAD



AUDITORS' REPORT TO THE MEMBERS

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

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

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

- a.) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b.) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c.) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2013 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d.) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of Engagement Partner
Mubashar Mahmood

Date: 05 October 2013
FAISALABAD

BALANCE SHEET AS

	NOTE	2013 (RUPEES IN THOUSAND)	2012
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
65 000 000 (2012 : 65 000 000) ordinary shares of Rupees 10 each		650,000	650,000
60 000 000 (2012 : 60 000 000) preference shares of Rupees 10 each		600,000	600,000
		<u>1,250,000</u>	<u>1,250,000</u>
Issued, subscribed and paid up share capital	3	995,000	1,008,333
Reserves	4	<u>4,111,967</u>	<u>3,372,221</u>
Total equity		5,106,967	4,380,554
Surplus on revaluation of freehold land	5	606,262	379,332
NON-CURRENT LIABILITIES			
Long term financing	6	2,182,436	2,487,997
Liabilities against assets subject to finance lease	7	115,227	108,710
Deferred liability for gratuity	8	314,360	257,072
		2,612,023	2,853,779
CURRENT LIABILITIES			
Trade and other payables	9	2,278,636	2,111,193
Accrued mark-up	10	184,305	173,918
Short term borrowings	11	7,590,117	5,088,907
Current portion of non-current liabilities	12	729,873	748,767
Provision for taxation		222,712	181,762
		<u>11,005,643</u>	<u>8,304,547</u>
TOTAL LIABILITIES		13,617,666	11,158,326
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		<u>19,330,895</u>	<u>15,918,212</u>

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

CHIEF EXECUTIVE OFFICER



AT 30 JUNE 2013

	NOTE	2013 (RUPEES IN THOUSAND)	2012
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	5,522,095	4,749,775
Investment in an associate	15	-	-
Long term advances	16	6,054	5,008
Long term security deposits		<u>35,104</u>	<u>26,259</u>
		5,563,253	4,781,042
CURRENT ASSETS			
Stores, spare parts and loose tools	17	906,634	853,101
Stock in trade	18	6,501,520	4,646,583
Trade debts	19	3,832,218	3,550,116
Loans and advances	20	719,235	284,891
Short term deposits and prepayments	21	410,969	335,800
Other receivables	22	871,434	541,295
Cash and bank balances	23	525,632	925,384
		13,767,642	11,137,170
TOTAL ASSETS		<u>19,330,895</u>	<u>15,918,212</u>

DIRECTOR



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

	NOTE	2013 (RUPEES IN THOUSAND)	2012
SALES	24	22,744,589	19,274,793
COST OF SALES	25	(18,838,816)	(16,052,482)
GROSS PROFIT		3,905,773	3,222,311
DISTRIBUTION COST	26	(1,270,852)	(910,442)
ADMINISTRATIVE EXPENSES	27	(385,512)	(310,523)
OTHER EXPENSES	28	(59,613)	(65,641)
		(1,715,977)	(1,286,606)
		2,189,796	1,935,705
OTHER INCOME	29	45,486	62,863
PROFIT FROM OPERATIONS		2,235,282	1,998,568
FINANCE COST	30	(1,105,926)	(999,338)
SHARE OF LOSS FROM ASSOCIATE		(160)	-
PROFIT BEFORE TAXATION		1,129,196	999,230
TAXATION	31	(222,838)	(163,864)
PROFIT AFTER TAXATION		906,358	835,366
EARNINGS PER SHARE - BASIC (RUPEES)	32	15.11	13.92
- DILUTED (RUPEES)	32	11.62	9.83

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

CHIEF EXECUTIVE OFFICER

DIRECTOR



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

	2013	2012
	(RUPEES IN THOUSAND)	
PROFIT AFTER TAXATION	906,358	835,366
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	906,358	835,366

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

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

	NOTE	2013 (RUPEES IN THOUSAND)	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	11,654	1,962,412
Finance cost paid		(1,095,539)	(1,009,262)
Income tax paid		(277,418)	(212,423)
Dividend paid to ordinary shareholders		(104,763)	(104,669)
Dividend paid to preference shareholders		(61,612)	(71,523)
Gratuity paid		(58,470)	(63,592)
Net increase in long term advances		(1,046)	(1,270)
Net increase in long term security deposits		(8,845)	(8,778)
Net cash generated from / (used in) operating activities		(1,596,039)	490,895
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		14,801	54,636
Capital expenditure on property, plant and equipment		(919,283)	(483,060)
Investment made in associate		(160)	-
Net cash used in investing activities		(904,642)	(428,424)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		367,924	1,943,653
Repayment of long term financing		(707,417)	(660,980)
Repayment of preference shares		(13,333)	(66,667)
Repayment of liabilities against assets subject to finance lease		(47,455)	(47,208)
Short term borrowings - net		2,501,210	(1,007,301)
Net cash (used in) / from financing activities		2,100,929	161,497
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(399,752)	223,968
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		925,384	701,416
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 23)		525,632	925,384

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

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

	RESERVES								TOTAL EQUITY
	SHARE CAPITAL	CAPITAL			REVENUE			TOTAL	
		SHARE PREMIUM	REDEMPTION FUND	SUB TOTAL	GENERAL	UNAPPROPRIATED PROFIT	SUB TOTAL		
-----RUPEES IN THOUSAND-----									
Balance as at 30 June 2011	1,075,000	400,000	200,000	600,000	214,500	1,898,878	2,113,378	2,713,378	3,788,378
Preference shares repaid	(66,667)	-	-	-	-	-	-	-	(66,667)
Transferred from capital redemption reserve fund	-	-	(66,667)	(66,667)	-	66,667	66,667	-	-
Transferred to capital redemption reserve fund	-	-	8,333	8,333	-	(8,333)	(8,333)	-	-
Dividend at the rate of Rupees 1.75 per share (Ordinary shares)	-	-	-	-	-	(105,000)	(105,000)	(105,000)	(105,000)
Dividend at the rate of Rupees 1.50 per share (Preference shares)	-	-	-	-	-	(71,523)	(71,523)	(71,523)	(71,523)
Profit for the year	-	-	-	-	-	835,366	835,366	835,366	835,366
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	835,366	835,366	835,366	835,366
Balance as at 30 June 2012	1,008,333	400,000	141,666	541,666	214,500	2,616,055	2,830,555	3,372,221	4,380,554
Preference shares repaid	(13,333)	-	-	-	-	-	-	-	(13,333)
Transferred from capital redemption reserve fund	-	-	(13,333)	(13,333)	-	13,333	13,333	-	-
Transferred to capital redemption reserve fund	-	-	5,000	5,000	-	(5,000)	(5,000)	-	-
Transferred to general reserve	-	-	-	-	500,000	(500,000)	-	-	-
Dividend at the rate of Rupees 1.75 per share (Ordinary shares)	-	-	-	-	-	(105,000)	(105,000)	(105,000)	(105,000)
Dividend at the rate of Rupees 1.49 per share (Preference shares)	-	-	-	-	-	(61,612)	(61,612)	(61,612)	(61,612)
Profit for the year	-	-	-	-	-	906,358	906,358	906,358	906,358
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	906,358	906,358	906,358	906,358
Balance as at 30 June 2013	995,000	400,000	133,333	533,333	714,500	2,864,134	3,578,634	4,111,967	5,106,967

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

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

1. THE COMPANY AND ITS OPERATIONS

Masood Textile Mills Limited is a public limited company incorporated under the Companies Act, 1913 (Now Companies Ordinance, 1984) and listed on the stock exchanges in Pakistan. Its registered office is situated at Universal House, West Canal Road, Faisalabad. The main objects of the Company are manufacturing and sale of cotton / synthetic fiber yarn, knitted / dyed fabrics and garments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

a) Statement of Compliance

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

b) Accounting Convention

These financial statements have been prepared under the historical cost convention except for the following:

- Deferred liability for the staff retirement benefits which is recognized on the basis of actuarial valuation (Note 8).
- Land grouped in operating fixed assets which is carried at revalued amount (Note 14.1).

c) Critical accounting estimates and judgments

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

Deferred liability for staff retirement benefits

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

Taxation

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

**Useful lives, patterns of economic benefits and impairments**

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

Inventories

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

Provision for doubtful debts / receivables

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

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

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

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

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

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

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

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

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

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

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Company's financial statements.

Amendments to IFRS 12 (effective for annual periods beginning on or after 01 January 2013) provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

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

International Accounting Standard (IAS) -19 'Employee Benefits' (amended 2011) - effective for annual period beginning on or after 01 January 2013. The amendments have eliminated the corridor approach which permitted to recognize actuarial gains / losses in profit and loss account using the corridor method, whereby actuarial gains / losses are recognized when the cumulative unrecognized amount thereof at the beginning of the year exceed the corridor limit, where corridor limit has been prescribed as 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets. Pursuant to this change, effective from the next accounting year, the Company will be required to recognize immediately all actuarial gains or losses in other comprehensive income and past service cost in profit and loss account.

The adoption of the aforesaid amendment in IAS-19 'Employee Benefits' will result in change in the Company's accounting policy related to recognition of actuarial gains and losses and past service cost pertaining to employees retirement gratuity. As at 30 June 2013, the unrecognized actuarial loss is Rupees 29.714 million.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals)



where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

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

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

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

2.2 Staff retirement benefits

The Company operates unfunded gratuity scheme for its employees. Provision is made in the books of account on the basis of actuarial computation subject to a maximum of 8.33 percent of salary of the employees. Latest actuarial valuation has been made as at 30 June 2013 by the consulting actuaries using Projected Unit Credit Actuarial Cost Method.

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

2.3 Foreign currency

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

2.4 Taxation

Current

The Company falls in the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made in the financial statements accordingly. However, provision for tax on other income is based on taxable income at the current rates after considering the rebates and tax credits available, if any.

Deferred

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

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

**2.5 Property, plant, equipment and depreciation****Owned**

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss except freehold land which is stated at cost / appreciated value less any identified impairment loss. Capital work-in-progress is stated at cost less any identified impairment loss. Cost of property, plant and equipment signifies historical cost, applicable exchange differences (upto 30 September 2004), appreciated value, borrowing cost pertaining to erection / construction period as referred in Note 2.8 and directly attributable cost of bringing the assets to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized.

Leased – Finance Lease

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to profit and loss account over the lease term.

Gain on sale and lease back of operating fixed assets is deferred and amortized over the lease term and loss on sale and lease back of operating fixed assets is recognized in profit and loss account. Assets so acquired are depreciated over their expected useful life.

Leased – Operating lease

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss account on a straight line basis over the lease term.

Depreciation

Depreciation on property, plant and equipment is charged to income on reducing balance method at the rates given in Note 14.1 to write off the cost over their expected useful life. The Company charges depreciation on additions from the date when the asset is available for use and on deletions up to the date when asset is derecognized. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

Derecognition

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

2.6 Investment in an associate

The Company's investment in its associate is accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate. The profit and loss account reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The reporting dates of the associate and the Company are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

**2.7 Inventories**

Inventories, except for stock in transit and waste stock / rags are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spare parts and loose tools

Useable stores and spare parts are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock in trade

Cost of raw material, work-in-process and finished goods is determined as follows:

- i) For raw materials - Annual average basis.
- ii) For work-in-process and finished goods - Average manufacturing cost including a portion of production over heads.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon, waste stock/ rags are valued at net realizable value.

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

2.8 Borrowing cost

Interest, mark-up and other charges on long term liabilities are capitalized upto the date of commissioning of respective fixed assets acquired out of the proceeds of such long term liabilities. All other interest, mark-up and other charges are charged to profit and loss account.

2.9 Provisions

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

2.10 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account except for the property, plant and equipment stated under revaluation model in which case it is adjusted against the revaluation surplus. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account except for the property, plant and equipment stated under revaluation model in which case it is adjusted against the revaluation surplus.

2.11 Revenue recognition

Revenue from different sources is recognized as under:

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

2.12 Share capital

Ordinary and preference shares are classified as equity.

2.13 Financial instruments

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

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

Trade and other receivables

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

Borrowings

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

Trade and other payables

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

2.14 Off setting

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

2.15 Cash and cash equivalents

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

2.16 Dividend and transfer of reserves

Dividend and transfers among reserves are treated as post balance sheet non-adjusting events. Hence, do not qualify for provision in the financial statements in accordance with the requirements of IAS-10 'Events after the reporting period'. These transfers are, therefore, recorded in the next year's financial statements.

2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its segments separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable operating segments: i) Spinning (Producing different qualities of yarn), ii) Knitting (Producing knitted fabric from yarn), iii) Processing and Garments (Processing of greige fabric for production of dyed and white fabric and manufacturing of variety of garments from processed fabric).

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

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2013 (NUMBER OF SHARES)	2012		2013 (RUPEES IN THOUSAND)	2012
60 000 000	60 000 000	Ordinary shares of Rupees 10 each fully paid in cash	600,000	600,000
39 500 000	40 833 334	Cumulative preference shares (non-voting) of Rupees 10 each fully paid in cash (Note 3.1 & 3.2)	395,000	408,333
<u>99 500 000</u>	<u>100 833 334</u>		<u>995,000</u>	<u>1,008,333</u>

3.1 Movement during the year

40 833 334	47 500 001	As at 01 July	408,333	475,000
1 333 334	6 666 667	Cumulative preference shares (non-voting) of Rupees 10 each repaid during the year	13,333	66,667
<u>39 500 000</u>	<u>40 833 334</u>		<u>395,000</u>	<u>408,333</u>

3.2 The Company issued cumulative preference shares as at 30 June 2005, which are listed on Lahore Stock Exchange, to finance the working capital requirements and fixed capital expenditure.

Terms of redemption

a) Conversion option

Preference shareholders have the option to serve a notice to the Company to convert one third of the preference shares along with accumulated dividend into ordinary shares of the Company after the expiry of four years from the date of issuance in any conversion year at a discount of 15 percent to immediately preceding 30 calendar days' average market value. Upon receiving the conversion notice, the Company will have the option to repay the preference shares along with the accumulated dividend for which conversion notice has been issued within one month of receiving thereof or issue ordinary shares to preference shareholders.



b) Call option

The Company has the option to redeem the preference shares after four years of the issuance in part in multiples of 10 percent upto 100 percent from the preference shareholders. The call price would be Rupees 10 per share plus the entire accumulated preference share dividend, if any.

c) Rate of dividend

The preference dividend is payable at the average rate of six months KIBOR plus 2 percent per annum on cumulative basis. According to the terms of issuance, dividend to ordinary shareholders could only be paid after the payment of preference dividend to preference shareholders.

d) Sinking fund reserve

The Company has created a sinking fund reserve (capital redemption reserve fund) from the profits of the Company to make payments against any call option. The Company has built-up this sinking fund reserve to ensure that at the end of the fourth year from the issuance date, the reserve is equal to one third of the total amount of preference shares. This reserve account will subsequently be replenished to ensure that one third of the outstanding preference shares amount is available in the reserve account.

	2013	2012
	(RUPEES IN THOUSAND)	
4. RESERVES		
Composition of reserves is as follows:		
Capital		
Share premium (Note 4.1)	400,000	400,000
Capital redemption reserve fund (Note 4.2)	133,333	141,666
	<u>533,333</u>	<u>541,666</u>
Revenue		
General	714,500	214,500
Unappropriated profit	2,864,134	2,616,055
	3,578,634	2,830,555
	<u>4,111,967</u>	<u>3,372,221</u>
4.1	This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.	
4.2	The Company has created this reserve from its profits to make payments against any call option of preference shares.	
5. SURPLUS ON REVALUATION OF FREEHOLD LAND		
Opening balance	379,332	379,420
Add : Surplus on revaluation of freehold land	226,930	-
Less : Surplus realized on sale of land	-	88
	<u>606,262</u>	<u>379,332</u>
6. LONG TERM FINANCING - SECURED		
Long term loans (Note 6.1)	2,858,665	3,198,158
Less: Current portion shown under current liabilities (Note 12)	676,229	710,161
	<u>2,182,436</u>	<u>2,487,997</u>

6.1 Long term loans

LENDER	2013	2012	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALMENTS	DATE OF REPAYMENT OF FIRST INSTALMENT	INTEREST PAYABLE	SECURITY
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(RUPEES IN THOUSAND)

6.1.1 Demand Finances / Long Term Finances for Export Oriented Projects:

United Bank Limited	12,127	21,829	7%	Twenty four, quarterly	15 February 2008	Quarterly	First charge on specific machinery
United Bank Limited	2,811	4,684	7%	Twenty four, quarterly	31 March 2008	Quarterly	First charge on specific machinery
United Bank Limited	14,831	19,775	6 Months KIBOR+2.00%	Ten, half yearly	30 December 2009	Half yearly	First charge on specific machinery
United Bank Limited	7,319	9,571	10%	Twenty four, quarterly	19 December 2010	Quarterly	First charge on specific machinery
United Bank Limited	7,746	9,959	10%	Twenty four, quarterly	20 January 2011	Quarterly	First charge on specific machinery
United Bank Limited	2,105	2,687	10.25%	Twenty four, quarterly	10 May 2011	Quarterly	First charge on specific machinery
United Bank Limited	-	2,604	9.20%	Twelve, quarterly	23 May 2010	Quarterly	First charge on specific machinery
United Bank Limited	1,587	2,040	10.25%	Twenty four, quarterly	03 June 2011	Quarterly	First charge on specific machinery
United Bank Limited	-	14,187	9.20%	Eight, quarterly	17 June 2011	Quarterly	First charge on specific machinery
United Bank Limited	-	12,113	10.30%	Eight, quarterly	12 July 2011	Quarterly	First charge on specific machinery
United Bank Limited	2,078	2,771	10.50%	Twenty, quarterly	29 July 2011	Quarterly	First charge on specific machinery
United Bank Limited	11,258	13,904	10.50%	Twenty four, quarterly	12 October 2011	Quarterly	First charge on specific machinery
United Bank Limited	11,801	35,402	11%	Eight, quarterly	01 March 2012	Quarterly	First charge on specific machinery
United Bank Limited	42,566	45,403	12.60%	Sixteen, quarterly	12 April 2013	Quarterly	First charge on specific machinery
United Bank Limited	25,986	25,986	12.60%	Sixteen, quarterly	10 September 2013	Quarterly	First charge on specific machinery
United Bank Limited	20,396	-	12.00%	Sixteen, quarterly	03 October 2013	Quarterly	First charge on specific machinery
United Bank Limited	39,511	-	11.10%	Sixteen, quarterly	18 January 2014	Quarterly	First charge on specific machinery
United Bank Limited	28,069	-	10.90%	Sixteen, quarterly	02 April 2014	Quarterly	First charge on specific machinery
Habib Bank Limited	11,970	18,759	10%	Twenty one, quarterly	09 January 2011	Quarterly	First charge on specific machinery
Habib Bank Limited	35,555	48,485	10%	Twenty one, quarterly	22 February 2011	Quarterly	First charge on specific machinery
Habib Bank Limited	13,128	17,166	10%	Twenty one, quarterly	18 August 2011	Quarterly	First charge on specific machinery
Habib Bank Limited	13,045	16,306	10.50%	Twenty one, quarterly	26 May 2012	Quarterly	First charge on specific machinery
Habib Bank Limited	44,195	54,594	10.50%	Twenty one, quarterly	29 July 2012	Quarterly	First charge on specific machinery
Habib Bank Limited	23,573	29,119	10.50%	Twenty one, quarterly	06 August 2012	Quarterly	First charge on specific machinery
Habib Bank Limited	32,476	40,117	10.50%	Twenty one, quarterly	17 September 2012	Quarterly	First charge on specific machinery
Habib Bank Limited	2,465	2,876	10.50%	Twenty one, quarterly	21 October 2012	Quarterly	First charge on specific machinery
Habib Bank Limited	4,056	4,462	11.20%	Twenty one, quarterly	28 March 2013	Quarterly	First charge on specific machinery
Standard Chartered Bank (Pakistan) Limited	27,478	38,466	10.40%	Eight, half yearly	30 January 2012	Quarterly	First charge on specific machinery
Standard Chartered Bank (Pakistan) Limited	37,620	52,755	11.10%	Eight, half yearly	30 January 2012	Quarterly	First charge on specific machinery
Standard Chartered Bank (Pakistan) Limited	8,237	24,711	11.00%	Four, half yearly	11 May 2012	Quarterly	First charge on specific machinery
Pak Oman Investment Company Limited	10,089	12,332	11.20%	Twenty two, quarterly	15 July 2012	Quarterly	First charge on specific machinery
Pak Oman Investment Company Limited	9,042	27,125	11.00%	Twelve, quarterly	03 March 2011	Quarterly	First charge on specific machinery
Pak Oman Investment Company Limited	8,475	16,948	12.50%	Twelve, quarterly	14 July 2011	Quarterly	First charge on specific machinery
Pakistan Kuwait Investment Company (Pvt) Ltd.	18,724	21,604	10.00%	Thirty eight, quarterly	24 July 2010	Quarterly	First charge on specific machinery
Pakistan Kuwait Investment Company (Pvt) Ltd.	12,875	14,623	10.25%	Thirty eight, quarterly	05 September 2010	Quarterly	First charge on specific machinery
Pakistan Kuwait Investment Company (Pvt) Ltd.	29,998	34,614	10.25%	Thirty eight, quarterly	20 September 2010	Quarterly	First charge on specific machinery
Pakistan Kuwait Investment Company (Pvt) Ltd.	7,842	9,414	12.60%	Eighteen, quarterly	13 December 2012	Quarterly	First charge on specific machinery
Pakistan Kuwait Investment Company (Pvt) Ltd.	55,588	62,850	12.60%	Eighteen, quarterly	03 January 2013	Quarterly	First charge on specific machinery
Pakistan Kuwait Investment Company (Pvt) Ltd.	37,479	-	12.60%	Eighteen, quarterly	18 April 2014	Quarterly	First charge on specific machinery
NIB Bank Limited	240,264	-	10.90%	Sixteen, quarterly	08 April 2014	Quarterly	First charge on specific machinery
Habib Metropolitan Bank Limited	5,116	6,480	10.25%	Twenty eight, quarterly	11 May 2010	Quarterly	First charge on specific machinery
Habib Metropolitan Bank Limited	3,460	3,979	10.25%	Thirty two, quarterly	19 June 2012	Quarterly	First charge on specific machinery
Habib Metropolitan Bank Limited	3,244	3,707	10.50%	Thirty two, quarterly	28 July 2012	Quarterly	First charge on specific machinery
Habib Metropolitan Bank Limited	15,725	17,970	10.50%	Thirty two, quarterly	24 August 2012	Quarterly	First charge on specific machinery
Habib Metropolitan Bank Limited	57,720	63,691	10.50%	Thirty two, quarterly	20 October 2012	Quarterly	First charge on specific machinery
The Bank of Punjab	26,178	37,813	10.40%	Sixteen, quarterly	31 October 2011	Quarterly	First charge on specific machinery
The Bank of Punjab	33,053	48,275	11.10%	Sixteen, quarterly	15 January 2012	Quarterly	First charge on specific machinery
	1,058,685	948,158					

6.1.2 Syndicate Term Finance-II:

United Bank Limited	-	105,000	3 Months KIBOR+1.50%	Seven, half yearly unequal installments	22 April 2010	Quarterly	Acquired by the company against fixed assets and is secured by way of first pari passu charge over all present and future moveable fixed assets of the Company and mortgage over immovable fixed assets of the Company.
Habib Bank Limited	-	105,000					
NIB Bank Limited	-	45,000					
The Bank of Punjab	-	75,000					
Habib Metropolitan Bank Limited	-	45,000					
Summit Bank Limited	-	45,000					
The Bank of Khyber	-	30,000					
	-	450,000					

Syndicate Term Finance-I:

Allied Bank Limited	200,000	200,000	3 Months KIBOR+1.50%	Sixteen, quarterly unequal installments	04 September 2013	Quarterly	Acquired by the company against permanent working capital requirements and is secured by way of first pari passu charge over all present and future moveable fixed assets of the Company and mortgage over immovable fixed assets of the Company and personal guarantee of the Chief Executive Officer.
Bank Alfalah Limited	150,000	150,000					
The Bank of Punjab	175,000	175,000					
Dubai Islamic Bank Pakistan Limited	200,000	200,000					
Habib Bank Limited	100,000	100,000					
National Bank of Pakistan	250,000	250,000					
Pakistan Kuwait Investment Co.(Pvt) Ltd.	125,000	125,000					
Standard Chartered Modaraba	70,000	70,000					
Standard Chartered Bank (Pakistan) Limited	180,000	180,000					
Summit Bank Limited	100,000	100,000					
United Bank Limited	250,000	250,000					
	1,800,000	1,800,000					
	2,858,685	3,198,158					



2013 2012
(RUPEES IN THOUSAND)

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future rentals and year during which they fall due are as under:

2013	-	54,951
2014	68,262	53,714
2015	58,502	43,672
2016	33,381	18,116
2017	26,808	10,997
2018	10,914	-
	<u>197,867</u>	<u>181,450</u>
Less: Financial charges	28,996	34,134
Present value of minimum lease rental payments	168,871	147,316
Less: Current portion shown under current liabilities (Note 12)	53,644	38,606
	<u>115,227</u>	<u>108,710</u>

7.1 The value of minimum lease payments has been discounted using implicit interest rate of 10.59 percent to 11.59 percent per annum (2012: 13.32 to 14.52 percent per annum). Balance rentals are payable in monthly / quarterly and semi-annual installments. In case of default in any payment, an additional charge at the rate of 0.1 percent per day shall be paid. Taxes, repairs and insurance costs are to be borne by the Company. In case of termination of the agreement, the Company shall pay entire amount of rentals for unexpired period of lease agreement. Lease agreement is renewable at the option of the lessor on such terms as may be agreed upon. Liabilities are secured against deposits of Rupees 19.385 million (2012: Rupees 12.597 million) included in long term security deposits.

7.2 Minimum lease payments and their present values are regrouped as under:

2013		2012	
Within One year	More than one year but less than five years	Within One year	More than one year but less than five years

----- (RUPEES IN THOUSAND) -----

Total of minimum lease payments	68,262	129,605	54,951	126,499
Less: Financial charges	14,618	14,378	16,345	17,789
Present value of minimum lease payments	<u>53,644</u>	<u>115,227</u>	<u>38,606</u>	<u>108,710</u>



	2013	2012
	(RUPEES IN THOUSAND)	
8. DEFERRED LIABILITY FOR GRATUITY		
Opening balance	257,072	223,885
Add: Provision for the year (Note 8.1)	110,088	105,904
	<u>367,160</u>	<u>329,789</u>
Less: Payments made during the year	(58,470)	(63,592)
Decrease / (Increase) in current liability - net	5,670	(9,125)
	<u>(52,800)</u>	<u>(72,717)</u>
	<u>314,360</u>	<u>257,072</u>
8.1 Provision for the year:		
Current service cost	75,232	73,263
Interest cost	34,856	32,641
	<u>110,088</u>	<u>105,904</u>
8.2 Reconciliation of present value of defined benefit obligations as at 30 June is given below:		
Present value of defined benefit obligations as at 01 July	268,127	233,150
Current service cost	75,232	73,263
Interest cost	34,856	32,641
Benefits paid during the year	(58,470)	(63,592)
Decrease / (Increase) in current liability - net	5,670	(9,125)
Actuarial loss on present value	18,659	1,790
Present value of defined benefit obligations as at 30 June	<u>344,074</u>	<u>268,127</u>
8.3 Reconciliation of present value of defined benefit obligations and liability recognized as at 30 June is given below:		
Present value of defined benefit obligations as at 30 June	344,074	268,127
Unrecognized actuarial loss-accumulative	(29,714)	(11,055)
Recognized liability	<u>314,360</u>	<u>257,072</u>
Principal Actuarial Assumptions:		
Discount rate	10.50% per annum	13% per annum
Expected rate of increase in salary in future years	9.50% per annum	12% per annum
Average expected remaining life time of employees	13 years	13 years

8.4 The present value of defined benefit obligation is as follows:

	2013	2012	2011	2010	2009
	------(RUPEES IN THOUSAND)-----				
Present value of defined benefit obligations	344,074	268,127	233,150	192,905	146,469
Experience adjustment arising on plan liabilities	18,659	1,790	2,246	9,320	(2,948)

2013 **2012**
(RUPEES IN THOUSAND)

9. TRADE AND OTHER PAYABLES

Creditors	1,558,089	1,296,852
Advances from customers	46,068	19,072
Accrued liabilities	584,025	724,032
Income tax deducted at source	11,475	7,230
Sales tax deducted at source	10,997	-
Workers' welfare fund	-	3,155
Workers' profit participation fund (Note 9.1)	59,613	52,720
Unclaimed dividend	8,369	8,132
	<u>2,278,636</u>	<u>2,111,193</u>

9.1 Workers' Profit Participation Fund

Balance as at 01 July	52,720	49,931
Add: Provision for the year (Note 28)	59,613	52,720
Interest for the year (Note 30)	3,290	2,450
	<u>115,623</u>	<u>105,101</u>
Less: Payments during the year	56,010	52,381
	<u>59,613</u>	<u>52,720</u>

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

10. ACCRUED MARK-UP

Long term financing	43,892	49,554
Short term borrowings	140,413	124,364
	<u>184,305</u>	<u>173,918</u>

11 SHORT TERM BORROWINGS - SECURED

These represent the finances obtained from banking companies which are secured by way of first, second and third equitable mortgage on fixed assets of the Company, first joint pari pasu charge over current assets of the Company, pledge and personal guarantee of directors. Mark-up is paid at the rate of 2.51% per annum to 12.35% per annum (2012: 2.95% per annum to 15.54% per annum). The sanctioned credit facilities are Rupees 9,175 million (2012: Rupees 8,725 million).

	2013	2012
	(RUPEES IN THOUSAND)	
12. CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term financing (Note 6)	676,229	710,161
Liabilities against assets subject to finance lease (Note 7)	53,644	38,606
	<u>729,873</u>	<u>748,767</u>

13. CONTINGENCIES AND COMMITMENTS

a) Contingencies

Guarantees of Rupees 68.104 million (2012: Rupees 71.482 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections and Collector of Customs, Lahore for import licence fee.

b) Commitments

i) Contracts for capital expenditure are amounting to Rupees 56.445 million (2012: Rupees 163.440 million) and other than capital expenditure are Rupees 126.296 million (2012: Rupees 196.850 million).

ii) Ijarah (operating lease) commitments - Company as lessee

The Company obtained vehicles under ijarah (operating lease) agreement. The lease terms are three to five years. The Company has given undertaking to purchase the leased vehicles on agreed purchase price at maturity.

The future aggregate minimum lease payments under ijarah (operating lease) are as follows:

Not later than one year	20,112	15,967
Later than one year and not later than five years	25,395	36,770
	<u>45,507</u>	<u>52,737</u>

14. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets		
-Owned (Note 14.1)	5,248,413	4,521,584
-Leased (Note 14.1)	208,666	173,431
Capital work-in-progress (Note 14.2)	65,016	54,760
	<u>5,522,095</u>	<u>4,749,775</u>



14.1 OPERATING FIXED ASSETS

	OWNED										LEASED			
	Freehold land	Buildings on freehold land	Plant and machinery	Electric and gas installations	Factory equipment	Telephone installations	Furniture and fixtures	Office equipment	Computer equipment	Vehicles	Total	Plant and machinery	Vehicles	Total
(RUPEES IN THOUSAND)														
At 01 July 2011														
Cost / revalued amount	723,816	809,459	3,720,813	277,350	69,054	17,615	127,605	3,842	169,020	177,016	6,095,590	184,289	126,819	293,108
Accumulated depreciation	-	(165,958)	(1,219,921)	(92,499)	(34,661)	(10,877)	(62,732)	(2,428)	(94,060)	(98,458)	(1,799,594)	(65,120)	(23,659)	(88,979)
Net book value	723,816	623,501	2,500,892	184,851	34,393	6,738	64,873	1,414	74,960	80,558	4,295,996	99,169	104,960	204,129
Year ended 30 June 2012														
Opening net book value	723,816	623,501	2,500,892	184,851	34,393	6,738	64,873	1,414	74,960	80,558	4,295,996	99,169	104,960	204,129
Additions	29,130	53,655	394,648	44,735	3,317	777	19,401	367	16,794	34,511	597,335	-	39,201	39,201
Transfer:														
Cost	-	-	80,000	-	-	-	-	-	-	1,314	61,314	(80,000)	(1,314)	(81,314)
Accumulated depreciation	-	-	(41,545)	-	-	-	-	-	-	(467)	(42,012)	41,545	467	42,012
			38,455							847	39,302	(38,455)	(647)	(39,302)
Deletions														
Cost	(11,235)	(10,451)	(23,638)	-	-	(6)	(10)	(355)	(60)	(23,507)	(69,282)	-	-	-
Accumulated depreciation	-	1,690	11,354	-	-	3	6	271	11	12,365	25,700	-	-	-
	(11,235)	(8,761)	(12,284)	-	-	(3)	(4)	(84)	(49)	(11,142)	(43,582)	-	-	-
Depreciation charge	-	(32,859)	(284,343)	(20,990)	(3,331)	(1,062)	(10,889)	(221)	(16,515)	(17,277)	(367,467)	(8,497)	(22,100)	(30,597)
Closing net book value	741,711	635,536	2,657,368	208,596	34,379	6,450	73,381	1,476	75,190	87,497	4,521,584	52,217	121,214	173,431
At 30 June 2012														
Cost / revalued amount	741,711	852,663	4,171,823	322,085	72,371	16,386	146,996	3,854	185,754	189,334	6,704,977	84,289	166,706	250,995
Accumulated depreciation	-	(217,127)	(1,514,455)	(113,489)	(37,992)	(11,938)	(73,615)	(2,378)	(110,584)	(101,837)	(2,183,393)	(32,072)	(45,492)	(77,564)
Net book value	741,711	635,536	2,657,368	208,596	34,379	6,450	73,381	1,476	75,190	87,497	4,521,584	52,217	121,214	173,431
Year ended 30 June 2013														
Opening net book value	741,711	635,535	2,657,368	208,596	34,379	6,450	73,381	1,478	75,190	87,497	4,521,584	52,217	121,214	173,431
Revaluation surplus	226,830	-	-	-	-	-	-	-	-	-	226,830	-	-	-
Additions	44,519	55,167	717,681	38,996	3,372	1,310	17,943	84	20,482	9,493	909,027	60,650	8,360	69,010
Transfer:														
Cost	-	-	-	-	-	-	-	-	-	1,399	1,399	-	(1,399)	(1,399)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	(472)	(472)	-	472	472
										927	927	-	(927)	(927)
Deletions														
Cost / revalued amount	-	(1,250)	(21,095)	-	-	-	-	-	-	(8,435)	(30,760)	-	-	-
Accumulated depreciation	-	307	12,561	-	-	-	-	-	-	3,754	16,622	-	-	-
		(943)	(8,534)							(4,681)	(14,158)			
Depreciation charge	-	(33,006)	(289,561)	(22,754)	(3,366)	(1,078)	(12,283)	(227)	(17,001)	(16,621)	(395,697)	(9,079)	(23,789)	(32,848)
Closing net book value	1,013,160	656,754	3,076,954	224,838	34,385	6,682	79,041	1,333	78,651	76,615	5,248,413	103,786	104,876	208,666
At 30 June 2013														
Cost / revalued amount	1,013,160	906,580	4,688,409	361,081	75,749	19,696	164,939	3,938	206,216	191,791	7,811,553	144,939	173,867	318,606
Accumulated depreciation	-	(249,826)	(1,791,455)	(136,243)	(41,358)	(13,014)	(85,898)	(2,605)	(127,565)	(115,178)	(2,563,140)	(41,151)	(68,769)	(109,940)
Net book value	1,013,160	656,754	3,076,954	224,838	34,385	6,682	79,041	1,333	78,651	76,615	5,248,413	103,786	104,876	208,666
Annual rate of depreciation (%)	-	5	10	10	10	15	15	15	20	20	10	10	20	20

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14.1.1 Freehold land of the Company was revalued as at 28 June 2013 by an independent valuer using market value method and stated in note 14.1 at appreciated value. Previously, it was revalued by an independent valuer as at 30 June 2007 and 30 September 1995. Had there been no revaluation on that date, the value of freehold land would have been lower by Rupees 606.262 million (2012: Rupees 379,332 million). The book value of freehold land on cost basis is Rupees 406.698 million (2012: Rupees 362.379 million).

14.1.2 Depreciation charge for the year has been allocated as follows:
 2013 2012
 (RUPEES IN THOUSAND)

Owned:		
Cost of sales (Note 25)	348,687	321,523
Distribution cost (Note 26)	614	601
Administrative expenses (Note 27)	46,596	45,363
	395,897	367,487
Leased:		
Cost of sales (Note 25)	9,079	8,497
Distribution cost (Note 26)	5,930	5,727
Administrative expenses (Note 27)	17,839	16,373
	32,848	30,597
	426,745	398,084

14.1.3 Detail of operating fixed assets, exceeding the book value of Rupees 50,000 disposed of during the year is as follows:

DESCRIPTION	OOST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE/CLAIM PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASERS
------(RUPEES IN THOUSAND)-----						
BUILDING						
Yarn Market Shop	1,250	307	943	1,100	Negotiation	Muhammad Sajjad, Sarfraz Colony, Faisalabad
PLANT & MACHINERY						
Stitching/Overlock Machines	21,095	12,561	8,534	6,400	Negotiation	Babar Engineering, Faisalabad
VEHICLES						
FSK-1878, Toyota Corrola	1,123	789	334	532	Negotiation	Mr. Muhammad Umair Younis, Diglaspora, Faisalabad
FSG-7876, Toyota Corrola	576	347	229	488	-do-	Mr. Muhammad Amjad Rafiq, 246 GB, Toba tek Singh
FSB-3776, Cuore	213	136	77	241	-do-	Mr. Saqib Hanif, Safdarabad, Sheikhpura
LZS-6666, Toyota Corrola	424	124	300	774	-do-	Miss Najma Rashid, A block, Sabzazar Scheme, Lahore
FDA-10-1502, Toyota Corrola	927	119	808	1,363	-do-	Mr. Muhammad Javed, Saddiqe e Akbar Town Faisalabad
LEB-11-1044, Suzuki Bolan	645	176	469	600	Insurance Claim	The Universal Insurance Company Limited
FSG-1276, Suzuki Cultus	377	197	180	225	Negotiation	Mr. Makhdoom Ahmad (Company Employee)
FSH-8576, Suzuki Cultus	326	167	159	542	-do-	Mr. Raza Hassan, Haiderabad, Faisalabad
FSB-3376, Cuore	193	130	63	229	-do-	Mr. Sharafat Ali, Ferrozwala, Sheikhpura
FDA-09-1304, Cuore	692	398	294	440	-do-	Mr. Zulfqar Ali, Chak No. 8, Sheikhpura
FDA-10-1525, Suzuki Cultus	896	427	469	875	-do-	Mr. Bilal Shahzad, Jhang Road, Faisalabad
FDA-07-176, Toyota 2.0D Saloon	620	245	375	500	-do-	Mr. Shafouq Subhani, Madina Town, Faisalabad

Book value of other assets disposed of during the year was less than Rupees 50,000.

2013 **2012**
(RUPEES IN THOUSAND)

14.2 CAPITAL WORK-IN-PROGRESS

Building	10,422	10,313
Plant and machinery	48,906	9,406
Advances against purchase of land	5,688	6,198
Advances against purchase of machinery	-	28,843
	<u>65,016</u>	<u>54,760</u>

14.3 Borrowing cost of Rupees 5.408 million (2012 : Rupees 0.934 million) was capitalized during the year using the capitalization rate of 12.60% per annum (2012 : 12.60% per annum).

15 INVESTMENT IN AN ASSOCIATE

Biomass Power Generation Limited - unquoted

16000 (2012 : Nil) ordinary shares of Rupees 10 each (Note 15.1)

160

Share of post acquisition reserve:

As at 01 July

-

Share of loss after income tax

(160)

As at 30 June

(160)

-

-

- 15.1 The Company holds 40% (2012: Nil) interest in Biomass Power Generation Limited, an unquoted public limited company formed for Power Generation. The summarized financial information of this Company is as follows:

	2013	2012
	(RUPEES IN THOUSAND)	
Associate's balance sheet :		
Current assets	12,922	-
Non-current assets	15,554	-
Current liabilities	(515)	-
Non-current liabilities	(27,981)	-
Net liabilities	(20)	-
Associate's revenue and profit :		
Revenue	-	-
Loss before taxation for the year	420	-
Loss after taxation for the year	420	-

16. LONG TERM ADVANCES

Considered good - secured

Advances to employees		
Executives (Note 16.1)	9,673	6,728
Other employees	364	1,025
	10,037	7,753
Less : Current portion shown under current assets (Note 20)	3,983	2,745
	6,054	5,008

- 16.1 Reconciliation of advances given to executives is given below:

Opening balance as at 01 July	6,728	5,110
Add: Disbursement made during the year	4,500	3,250
	11,228	8,360
Less: Recovered during the year	1,555	1,632
Closing balance as at 30 June	9,673	6,728

- 16.1.1 Maximum balance due from executives at the end of any month during the year was Rupees 10.248 million (2012 : Rupees 7.125 million).

- 16.2 These include the interest free advances to Company's employees recoverable in equal monthly installments and secured against lien on residential houses of the employees.

- 16.3 The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of advances to employees is not considered material and hence not recognized.



	2013	2012
	(RUPEES IN THOUSAND)	
17. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	737,809	713,125
Spare parts	167,522	137,365
Loose tools	1,303	2,611
	<u>906,634</u>	<u>853,101</u>
17.1	Stores and spare parts include items which may result in fixed capital expenditure but are not distinguishable at this stage.	
18. STOCK IN TRADE		
Raw materials	2,192,148	1,989,668
Work-in-process	1,754,040	1,506,975
Finished goods (Note 18.1)	2,527,997	1,131,604
Waste	27,335	18,336
	<u>6,501,520</u>	<u>4,646,583</u>
18.1	This includes stocks amounting to Rupees 134.348 million (2012 : Rupees 117.241 million) valued at net realizable value.	
19. TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	888,990	677,207
Unsecured	2,943,228	2,872,909
	<u>3,832,218</u>	<u>3,550,116</u>
Considered doubtful:		
Others - unsecured	24,832	24,832
Less: Provision for doubtful debts	24,832	24,832
	<u>-</u>	<u>-</u>
19.1	As at 30 June 2013, trade debts of Rupees 302.336 million (2012 : Rupees 175.627 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:	
Upto 1 month	193,584	101,216
1 to 6 months	77,559	56,967
More than 6 months	31,193	17,444
	<u>302,336</u>	<u>175,627</u>
20. LOANS AND ADVANCES		
Considered good:		
Employees - Interest free:		
Against expenses	25,576	15,734
Against salary	33,406	39,492
	58,982	55,226
Current portion of long term advances (Note 16)	3,983	2,745
Advances to suppliers	656,270	226,920
	<u>719,235</u>	<u>284,891</u>



2013
(RUPEES IN THOUSAND)

2012

21. SHORT TERM DEPOSITS AND PREPAYMENTS

Letters of credit	33,921	54,351
Short term prepayments	10,712	10,131
Margin against letters of credit/guarantees	4,832	4,956
Security deposits	2,357	2,745
Income tax	359,147	263,617
	<u>410,969</u>	<u>335,800</u>

22. OTHER RECEIVABLES

Considered good:

Sales tax	522,103	268,796
Export rebates	209,039	151,538
Others	140,292	120,961
	<u>871,434</u>	<u>541,295</u>

23. CASH AND BANK BALANCES

Cash in hand	4,750	2,829
With banks on:		
Current accounts	166,454	230,758
Saving accounts		
including US\$ 23,940 (2012 : US\$ 25,220)	354,428	691,797
	<u>520,882</u>	<u>922,555</u>
	<u>525,632</u>	<u>925,384</u>

23.1 Rate of profit on bank deposits ranges from 7.5% to 11.00% (2012: 5% to 11.50%) per annum.

24. SALES

Local	693,354	457,240
Export (Note 24.1)	21,374,524	18,223,028
Waste	593,634	530,100
Knitting / dyeing income	83,077	64,425
	<u>22,744,589</u>	<u>19,274,793</u>

24.1 Exchange gain due to currency rate fluctuation relating to export sales amounting to Rupees 136.588 million (2012: Rupees 94.950 million) has been included in export sales.



	2013	2012
	(RUPEES IN THOUSAND)	
25. COST OF SALES		
Raw material consumed	10,706,874	8,233,468
Salaries, wages and other benefits	2,889,541	2,352,665
Staff retirement benefits	88,829	86,221
Fuel and power	1,077,716	846,290
Dyes and chemicals	1,033,620	867,101
Stores and spare parts	447,414	301,553
Packing materials and other charges	1,881,689	1,234,577
Outside knitting, dyeing and CMT charges	893,578	545,725
Repair and maintenance	527,715	380,476
Insurance	58,448	45,417
Other factory overheads (Note 25.1)	528,083	385,950
Depreciation - owned assets (Note 14.1.2)	348,687	321,523
Depreciation - leased assets (Note 14.1.2)	9,079	8,497
	20,491,273	15,609,463
Work-in-process:		
Opening stock	1,506,975	1,317,446
Closing stock	(1,754,040)	(1,506,975)
	(247,065)	(189,529)
Cost of goods manufactured	20,244,208	15,419,934
Finished goods:		
Opening stock	1,149,940	1,782,488
Closing stock	(2,555,332)	(1,149,940)
	(1,405,392)	632,548
	18,838,816	16,052,482
25.1 This includes ijarah (operating lease) rentals amounting to Rupees 21.428 million (2012 : Rupees 5.000 million) of vehicles.		
26. DISTRIBUTION COST		
Salaries, wages and other benefits	62,685	41,570
Staff retirement benefits	5,410	4,743
Commission to selling agents	355,169	394,035
Insurance	3,201	2,900
Traveling and conveyance	16,389	13,046
Vehicles' running	4,533	3,183
Printing and stationery	627	511
Communication	11,592	7,333
Outward freight and distribution	804,702	436,793
Depreciation - owned assets (Note 14.1.2)	614	601
Depreciation - leased assets (Note 14.1.2)	5,930	5,727
	1,270,852	910,442

	2013	2012
	(RUPEES IN THOUSAND)	
27. ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits	208,535	159,926
Staff retirement benefits	15,850	14,941
Rent, rates and taxes (Note 27.1)	7,991	4,983
Traveling and conveyance	11,085	7,289
Entertainment	9,355	8,335
Repair and maintenance	3,595	2,792
Vehicles' running	11,475	7,381
Printing and stationery	5,998	4,193
Communication	12,816	8,577
Legal and professional	1,464	1,974
Newspapers and periodicals	87	83
Electricity & sui gas	10,018	6,848
Auditors' remuneration (Note 27.2)	1,377	1,202
Subscription and fee	9,717	8,091
Advertisement	1,026	1,455
Insurance	8,296	6,953
Miscellaneous	2,392	3,764
Depreciation - owned assets (Note 14.1.2)	46,596	45,363
Depreciation - leased assets (Note 14.1.2)	17,839	16,373
	<u>385,512</u>	<u>310,523</u>
27.1	This includes ijarah (operating lease) rentals amounting to Rupees 2.756 million (2012 : Rupees 3.763 million) of vehicles.	
27.2 Auditors' remuneration		
Annual audit fee	1,100	1,000
Half yearly review fee	175	100
Corporate governance compliance review fee	50	50
Reimbursable expenses	52	52
	<u>1,377</u>	<u>1,202</u>
28. OTHER EXPENSES		
Workers' profit participation fund (Note 9.1)	59,613	52,720
Debit balances written off	-	11,664
Workers' welfare fund	-	1,257
	<u>59,613</u>	<u>65,641</u>
29. OTHER INCOME		
Income from non-financial assets		
Sale of stores and scrap	4,806	3,318
Gain on sale of property, plant and equipment	643	11,162
	<u>5,449</u>	<u>14,480</u>
Income from financial assets		
Mark-up on saving accounts	40,037	48,383
	<u>45,486</u>	<u>62,863</u>



	2013	2012
	(RUPEES IN THOUSAND)	
30. FINANCE COST		
Interest / mark-up on:		
Long term financing	329,320	214,702
Short term borrowings	615,722	664,425
Interest on workers' profit participation fund (Note 9.1)	3,290	2,450
Amortization on long term finance calculated using the effective interest method	-	1,176
Liabilities against assets subject to finance lease	18,885	19,125
Bank charges and commission	138,709	97,460
	1,105,926	999,338
31. TAXATION		
Current year	222,712	181,762
Prior year adjustment	126	(17,898)
	222,838	163,864
31.1	The Company falls in the ambit of final tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. However, provision for tax on other income is made at current tax rates after considering the rebates and tax credits, if any, and accumulated tax losses. No provision for deferred taxation is required due to final tax on exports. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of final tax on export.	
32. EARNINGS PER SHARE		
Basic earnings per share		
Profit after taxation	(Rupees in thousand) 906,358	835,366
Weighted average number of ordinary shares	(Numbers) 60 000 000	60 000 000
Earnings per share - Basic	(Rupees) 15.11	13.92
Diluted earnings per share		
Profit after taxation	(Rupees in thousand) 906,358	835,366
Weighted average number of shares	(Numbers) 77 994 682	84 948 470
Earnings per share - Diluted	(Rupees) 11.62	9.83
33. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,129,196	999,230
Adjustments for non-cash charges and other items:		
Depreciation	428,745	398,084
Provision for gratuity	110,088	105,904
Gain on sale of property, plant and equipment	(643)	(11,162)
Debit balances written off	-	11,664
Finance cost	1,105,926	999,338
Share of loss from associate	160	-
Working capital changes (Note 33.1)	(2,761,818)	(540,646)
	11,654	1,962,412
33.1 Working capital changes		
(Increase) / decrease In current assets		
Stores, spare parts and loose tools	(53,533)	(222,083)
Stock in trade	(1,854,937)	249,407
Trade debts	(282,102)	(585,220)
Loan and advances	(434,344)	(99,546)
Short term deposits and prepayments	20,361	(28,786)
Other receivables	(330,139)	56,118
Increase In current liabilities	(2,934,694)	(630,110)
Trade and other payables	172,876	89,464
	(2,761,818)	(540,646)



MASOOD TEXTILE MILLS LIMITED

34. EVENTS AFTER THE REPORTING PERIOD

Board of Directors of the Company have proposed a cash dividend for the ordinary shareholders of the Company for the year ended 30 June 2013 amounting to Rupees 1.75 (2012: Rupees 1.75) per share and preference dividend for the preference shareholders of the Company amounting to Rupees 1.27 (2012: Rupees 1.49) per share and approved transfer of Rupees Nil million (2012: Rupees 500 million) from Unappropriated Profit to General Reserve of the Company at their meeting held on 05 October 2013. However, these events have been considered as non-adjusting events under IAS-10 and have not been recognized in these financial statements.

35. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Aggregate amount charged in the financial statements for the year for remuneration, allowances including all benefits to the Chief Executive Officer, Directors and Executives of the Company are as follows:

DESCRIPTION	2013			2012		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
RUPEES IN THOUSAND						
Managerial remuneration	2,550	2,060	51,143	2,400	2,060	34,924
House rent	1,020	644	21,194	960	828	14,372
Other allowances	255	437	15,635	240	457	13,499
	3,825	3,141	87,972	3,600	3,345	62,795
Number of persons	1	4	67	1	4	47

35.1 The chief executive officer, some of the directors and some of the executives are provided free use of Company's maintained vehicles.

35.2 Meeting fee amounting to Rupees 0.080 million (2012: Rupees 0.100 million) has been paid to non-executive directors.

36. NUMBER OF EMPLOYEES

	2013	2012
	(Number of Persons)	
Number of employees as on 30 June	17 667	16 715
Average number of employees during the year	17 223	14 534

37. PLANT CAPACITY AND ACTUAL PRODUCTION

	2013	2012
	(FIGURES IN THOUSAND)	
SPINNING		
Production at normal capacity converted to 20s count based on three shifts per day.	(Kgs.)	4 762
Actual production converted to 20s count based on three shifts per day.	(Kgs.)	4 385
KNITTING		
Production at normal capacity based on three shifts per day.	(Kgs.)	34 452
Actual production based on three shifts per day.	(Kgs.)	19 536
DYEING / FINISHING		
Production at normal capacity on reactive dyeing basis at three shifts per day.	(Kgs.)	34 020
Actual production converted on reactive dyeing basis at three shifts per day.	(Kgs.)	20 422
GARMENTS		
Production at normal capacity converted on normal / basic garments capacity based on single shift per day.	(Dzn.)	5 838
Actual production converted on normal / basic garments capacity basis on single shift per day.	(Dzn.)	4 304

37.1 REASONS FOR LOW PRODUCTION

Under utilization of available capacity is due to normal maintenance, gas / electric supply shutdown and initial period of additional installations of production facilities. Knitting machines are available for different types of fabric for which orders are based on seasonal basis resulting under utilization of actual knitting capacity alongwith trial run effect of additional machines installed during the year under reference.



38. SEGMENT INFORMATION

	Spinning		Knitting		Processing & Garments		Elimination of intersegment transactions		Total- Company	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
(RUPEES IN THOUSAND)										
Sales	2,105,165	1,864,481	8,706,435	4,838,084	21,591,753	18,461,018	(7,658,764)	(5,888,790)	22,744,589	19,274,793
Cost of sales	(1,979,468)	(1,783,373)	(6,479,828)	(4,668,746)	(18,038,284)	(15,488,153)	7,658,764	5,888,790	(18,838,816)	(16,052,482)
Gross Profit	125,697	81,108	226,607	169,338	3,553,469	2,971,865	-	-	3,905,773	3,222,311
Distribution cost	(28,239)	(18,839)	(108,961)	(69,658)	(1,133,652)	(821,945)	-	-	(1,270,852)	(910,442)
Administrative expenses	(19,110)	(16,925)	(61,745)	(48,681)	(304,657)	(244,917)	-	-	(385,512)	(310,523)
Profit before taxation and unallocated income and expenses	(47,349)	(35,764)	(170,706)	(118,339)	(1,438,309)	(1,066,862)	-	-	(1,656,364)	(1,220,965)
Unallocated income and expenses:										
Other expenses									(59,613)	(65,641)
Other income									45,486	62,863
Finance cost									(1,105,926)	(999,338)
Share of loss from associate									(180)	-
Taxation									(222,838)	(163,864)
Profit after taxation	78,348	45,344	55,901	50,999	2,115,160	1,905,003	-	-	906,358	835,366

38.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Knitting		Processing & Garments		Total- Company	
	2013	2012	2013	2012	2013	2012	2013	2012
(RUPEES IN THOUSAND)								
Segment Assets	887,667	731,723	1,868,996	1,562,940	10,173,586	7,954,798	12,930,249	10,249,461
Unallocated assets							6,400,646	5,668,751
							19,330,895	15,918,212
Segment Liabilities	88,550	85,524	881,535	403,319	1,939,235	1,992,488	2,709,320	2,481,331
Unallocated Liabilities							10,908,346	8,676,995
							13,617,666	11,158,326

38.2 Geographical Information

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

	2013	2012
(RUPEES IN THOUSAND)		
America & Canada	17,935,408	15,264,337
Europe	2,530,002	1,881,388
Asia, Africa, and Australia	909,114	1,077,303
Pakistan	1,370,065	1,051,765
	22,744,589	19,274,793

38.2.2 All non current assets of the company as at reporting dates are located and operating in Pakistan.

38.3 Revenue from major customers

Revenue from major customers of the Company's Garments segment represent Rupees 9,442 million (2012: Rupees 11,003 million). Revenue from other segments of the Company does not include any major customer.



39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

	2013	2012
Cash at banks - USD	23,940	25,220
Trade debts - USD	37,018,165	36,002,457
Trade and other payable - USD	(96,923)	(414,613)
Net exposure - USD	36,945,182	35,613,064

Following exchange rates were applied during the year:

Rupees per US Dollar

Average rate	96.47	88.99
Reporting date rate	98.60	94.00

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 173.033 million (2012: Rupees 159.012 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

(iii) Interest rate risk

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

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

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

	2013	2012
	(RUPEES IN THOUSAND)	
Fixed rate instruments		
Financial liabilities		
Long term financing	1,043,834	928,383
Floating rate Instruments		
Financial assets		
Bank balances - saving accounts	354,428	691,797
Financial liabilities		
Long term financing	1,814,831	2,269,775
Liabilities against assets subject to finance lease	168,871	147,316
Short term borrowings	7,590,117	5,088,907

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, impact on profit after taxation for the year would have been Rupees 87.584 million (2012: Rupees 64.735 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming that amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

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

Trade debts	3,832,218	3,550,116
Loans and advances	43,443	47,245
Deposits	22,908	21,363
Other receivables	140,292	120,961
Bank balances	520,882	922,555
	<u>4,559,743</u>	<u>4,662,240</u>

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



MASOOD TEXTILE MILLS LIMITED

Company's bankers is given below:

	Rating			2013	2012
	Short term	Long term	Agency	(Rupees in thousand)	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	5,224	3,958
Allied Bank Limited	A1+	AA+	PACRA	50,178	78,684
Askari Bank Limited	A1+	AA	PACRA	3,041	5,307
Bank Alfalah Limited	A1+	AA	PACRA	1,729	732
First Women Bank Limited	A2	A-	PACRA	112	110
Habib Bank Limited	A-1+	AA+	JCR-VIS	8,493	10,709
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	182,971	250,232
Bank Al-Habib Limited	A1+	AA+	PACRA	337	450
MCB Bank Limited	A1+	AAA	PACRA	11,124	6,681
NIB Bank Limited	A1+	AA -	PACRA	56,681	2,884
The Bank of Punjab	A1+	AA -	PACRA	33,436	132,088
Dubai Islamic Bank Pakistan Limited	A-1	A	JCR-VIS	979	1,000
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	3,669	44,719
United Bank Limited	A-1+	AA+	JCR-VIS	13,134	198,156
Burj Bank Limited	A-1	A	JCR-VIS	8,314	399
Summit Bank Limited	A-3	A-	JCR-VIS	124,801	182,473
HSBC Bank Middle East Limited	P-1	A2	Moody's	1,059	2,712
Meezan Bank Limited	A-1+	AA	JCR-VIS	15,600	1,261
				<u>520,882</u>	<u>922,555</u>

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

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

(c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2013, the Company had Rupees 1,585 million (2012: Rupees 3,636 million) available borrowing limits from financial institutions and Rupees 525.632 million (2012: 925.384 million) cash and bank balances. Management believes the liquidity risk to be low.

The following are the contractual maturities of financial liabilities as at 30 June 2013:

Carrying Amount	Contractual Cash flows	6 months or less	6-12 months	1-2 Years	More than 2 years	
(RUPEES IN THOUSAND)						
Non-derivative financial liabilities:						
Long term financing	2,858,665	3,866,072	470,554	492,202	930,662	1,972,654
Liabilities against assets subject to finance lease	168,871	197,867	34,271	33,991	58,502	71,103
Short term borrowings	7,590,117	7,730,530	5,612,730	2,117,800	-	-
Trade and other payables	2,150,483	2,150,483	1,640,970	509,513	-	-
Accrued mark-up	184,305	184,305	184,305	-	-	-
	<u>12,952,441</u>	<u>14,129,257</u>	<u>7,942,830</u>	<u>3,153,506</u>	<u>989,164</u>	<u>2,043,757</u>

The following are the contractual maturities of financial liabilities as at 30 June 2012:

Carrying Amount	Contractual Cash flows	6 months or less	6-12 months	1-2 Years	More than 2 years	
(RUPEES IN THOUSAND)						
Non-derivative financial liabilities:						
Long term financing	3,198,158	4,329,696	482,393	467,017	838,353	2,541,933
Liabilities against assets subject to finance lease	147,316	181,450	27,638	27,313	53,714	72,785
Short term borrowings	5,088,907	5,213,271	3,284,768	1,928,503	-	-
Trade and other payables	2,029,016	2,029,016	1,436,358	592,658	-	-
Accrued mark-up	173,918	173,918	173,918	-	-	-
	<u>10,637,315</u>	<u>11,927,351</u>	<u>5,405,075</u>	<u>3,015,491</u>	<u>892,067</u>	<u>2,614,718</u>

Short term borrowings and trade and other payables are financial liabilities of revolving nature which will get renewed as part of working capital management.

(d) Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares.



MASOOD TEXTILE MILLS LIMITED

39.2 Fair values of financial assets and liabilities

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

39.3 Financial instruments by categories

	Loans and receivables	
	2013	2012
	(RUPEES IN THOUSAND)	
As at 30 June		
Assets as per balance sheet		
Trade debts	3,832,218	3,550,116
Loans and advances	43,443	47,245
Deposits	22,908	21,363
Other receivables	140,292	120,961
Cash and bank balances	525,632	925,384
	<u>4,564,493</u>	<u>4,665,069</u>
Financial liabilities at amortized cost		
	2013	2012
	(RUPEES IN THOUSAND)	
Liabilities as per balance sheet		
Long term financing	2,858,665	3,198,158
Liabilities against assets subject to finance lease	168,871	147,316
Short term borrowings	7,590,117	5,088,907
Trade and other payables	2,150,483	2,029,016
Accrued mark-up	184,305	173,918
	<u>12,952,441</u>	<u>10,637,315</u>

40 DATE OF AUTHORIZATION

These financial statements have been approved and authorized for issue by the Board of Directors of the Company on 05 October 2013.

41 FIGURES

Corresponding figures have been re-arranged, wherever necessary for the purpose of comparison. However, no significant re-arrangement has been made.

42 GENERAL

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

CHIEF EXECUTIVE OFFICER

DIRECTOR



**FORM 34
PATTERN OF SHAREHOLDING AS ON 30 JUNE, 2013**

1. Incorporation Number **0012223**
 2. Name of the Company **MASOOD TEXTILE MILLS LIMITED**
 3. Pattern of holding of the shares held by the shareholders as at 30.06.2013

4. No. of shareholders	Shareholdings	Total shares held
ORDINARY SHARES:		
659	Shareholding from 1 to 100 Shares	47,703
547	Shareholding from 101 to 500 Shares	128,120
83	Shareholding from 501 to 1000 Shares	67,796
113	Shareholding from 1001 to 5000 Shares	288,316
23	Shareholding from 5001 to 10000 Shares	180,510
4	Shareholding from 10001 to 15000 Shares	54,150
4	Shareholding from 15001 to 20000 Shares	70,950
1	Shareholding from 20001 to 25000 Shares	21,500
4	Shareholding from 25001 to 30000 Shares	117,000
1	Shareholding from 30001 to 35000 Shares	35,000
1	Shareholding from 35001 to 40000 Shares	37,500
2	Shareholding from 45001 to 50000 Shares	100,000
1	Shareholding from 55001 to 60000 Shares	60,000
1	Shareholding from 70001 to 75000 Shares	71,102
1	Shareholding from 80001 to 85000 Shares	85,000
1	Shareholding from 90001 to 95000 Shares	92,605
1	Shareholding from 105001 to 110000 Shares	106,000
1	Shareholding from 165001 to 170000 Shares	167,000
1	Shareholding from 195001 to 200000 Shares	196,500
1	Shareholding from 210001 to 215000 Shares	211,000
1	Shareholding from 370001 to 375000 Shares	373,000
1	Shareholding from 385001 to 390000 Shares	390,000
2	Shareholding from 390001 to 395000 Shares	784,036
1	Shareholding from 465001 to 470000 Shares	469,170
1	Shareholding from 540001 to 545000 Shares	541,000
1	Shareholding from 580001 to 585000 Shares	581,000
1	Shareholding from 695001 to 700000 Shares	700,000
1	Shareholding from 915001 to 920000 Shares	916,050
1	Shareholding from 1380001 to 1385000 Shares	1,383,750
1	Shareholding from 1910001 to 1915000 Shares	1,912,400
1	Shareholding from 2025001 to 2030000 Shares	2,025,828
1	Shareholding from 2455001 to 2460000 Shares	2,457,078
1	Shareholding from 2895001 to 2900000 Shares	2,900,000
1	Shareholding from 3895001 to 3900000 Shares	3,900,000
1	Shareholding from 4110001 to 4115000 Shares	4,114,000
1	Shareholding from 4590001 to 4595000 Shares	4,593,662
1	Shareholding from 5780001 to 5785000 Shares	5,780,974
1	Shareholding from 5940001 to 5945000 Shares	5,940,300
1	Shareholding from 18095001 to 18100000 Shares	18,100,000
1470	Total:	60,000,000



MASOOD TEXTILE MILLS LIMITED

PREFERENCE SHARES:

1	Shareholding from 995001 to 1000000 Shares	1,000,000
1	Shareholding from 2495001 to 2500000 Shares	2,500,000
3	Shareholding from 4995001 to 5000000 Shares	15,000,000
1	Shareholding from 9995001 to 10000000 Shares	10,000,000
1	Shareholding from 10995001 to 11000000 Shares	11,000,000
7	Total	39,500,000

5. Categories of shareholders	share held	Percentage
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ORDINARY SHARES:

5.1 Directors, Chief Executive Officer, etc.	1,521,500	2.54
5.2 Associated Companies, undertakings and related parties.	-	-
5.3 NIT and ICP	2,026,678	3.38
5.4 Banks, Development Financial Institutions, Non Banking Financial Institutions.	4,987,481	8.31
5.5 Insurance Companies	401,444	0.67
5.6 Modarabas and Mutual Funds	474,670	0.79
5.7 Share holders holding 10%	18,100,000	30.17
5.8 General Public		
a. Local	7,287,815	12.14
b. Foreign	-	-
5.9 Others - Joint Stock Companies/Co-operative Societies.	25,200,412	42.00
Total Ordinary Shares	60,000,000	100.00

PREFERENCE SHARES:

5.3 Banks, Development Financial Institutions, Non Banking Financial Institutions.	39,500,000	100.00
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6. Signature of Company Secretary

[Signature]

7. Name of Signatory

MIAN ABDUL BARI

8. Designation

COMPANY SECRETARY

9. CNIC Number

3 3 1 0 0 - 7 8 9 1 4 1 5 - 3

10. Date

Day	Month	Year
0 5	1 0	2 0 1 3



NAMEWISE CATEGORIES OF SHAREHOLDERS AS ON 30-06-2013

Name	Shares Held	Total Shares	Percentage
ORDINARY SHARES			
Directors:			
MR. SHAHID NAZIR AHMAD	Chief Executive Officer	1,383,750	
MR. NASEER AHMAD SHAH	Chairman	37,500	
MR. MUHAMMAD ARSHAD	Director	18,750	
MR. FAZAL AHMAD	Director	30,000	
MR. SHAHID IQBAL	Director	30,000	
MR. MATLOOB HUSSAIN	Director	21,500	
MR. MUHAMMAD YOUSUF MEMON (NIT Nominee)	Director	-	
		1,521,500	2.54
Shareholders Holding 10% or More:			
MRS. NAZIA NAZIR		18,100,000	18,100,000
			30.16
Associated Undertakings:			
		-	-
Investment Companies:			
PAKISTAN KUWAIT INVESTMENT COMPANY (PVT) LIMITED		2,600	
INVESTMENT CORPORATION OF PAKISTAN		850	
		3,450	0.01
Financial Institutions:			
Banks:			
IDBP (ICP UNIT)		3,250	
NATIONAL BANK OF PAKISTAN		4,594,231	
THE BANK OF PUNJAB, TREASURY DIVISION		390,000	
		4,987,481	8.31
Insurance Companies			
AGRO GENERAL INSURANCE COMPANY LIMITED		7,594	
DELTA INSURANCE COMPANY LIMITED		1,100	
STATE LIFE INSURANCE CORPORATION OF PAKISTAN		392,750	
		401,444	0.67
Modarabas			
THIRD PRUDENTIAL MODARABA		4,900	
UNICAP MODARABA		600	
		5,500	0.01
Mutual Fund			
GOLDEN ARROW SELECTED STOCKS FUND LIMITED		469,170	
NATIONAL BANK OF PAKISTAN-TRUSTEE			
DEPARTMENT NI(U)T FUND		2,025,828	
		2,494,998	4.16



MASOOD TEXTILE MILLS LIMITED

Name	Shares Held	Total Shares	Percentage
Joint Stock Companies And Others			
Aizad Corporation (Pvt) Limited	5,780,974		
Beacon Impex (Pvt) Limited	1,922,400		
Darson Securities (Pvt) Limited	1,200		
Fortress Textiles (Pvt) Limited	3,038,078		
H M Investments (Pvt) Limited	4,900		
Highlink Capital (Pvt) Limited	4,500		
Ismail Abdul Shakoor Securities (Pvt) Limited	50		
Kohistan Corporation (Pvt) Limited	3,900,000		
Maan Securities (Pvt) Limited	5		
Masood Impex (Pvt) Limited	5,940,300		
NH Securities (Pvt) Limited	5		
Pasha Securities (Pvt) Limited	100		
Pearl Securities (Pvt) Limited	391,286		
Prudential Capital Management Limited	1,600		
Savari (Pvt) Limited	900		
Software Creations (Pvt) Limited	4,114,000		
Time Securities (Pvt) Limited	1,500		
Y.S.Securities & Services (Pvt) Limited	160		
Trustee NBP EMP Benevolent Fund Trust	3,249		
Trustee NBP Employees Pension Fund	92,605	25,197,812	42.00
General Public:		7,287,815	12.14
TOTAL ORDINARY SHARES		60,000,000	100.00
PREFERENCE SHARES			
Banks:			
ASKARI BANK LIMITED	-	2,500,000	
HABIB BANK LIMITED	-	10,000,000	
MCB BANK LIMITED	-	5,000,000	
NATIONAL BANK OF PAKISTAN	-	5,000,000	
SILK BANK LIMITED	-	1,000,000	
UNITED BANK LIMITED	-	11,000,000	
		34,500,000	87.34
Investment Companies:			
PAKISTAN KUWAIT INVESTMENT COMPANY (PVT) LIMITED	-	5,000,000	12.66
TOTAL PREFERENCE SHARES		39,500,000	100.00



FORM OF PROXY

No. of Ordinary Shares Held. _____ Folio No. _____ CDC A/c No. _____

I/We, _____

of _____

being a member of MASOOD TEXTILE MILLS LIMITED hereby appoint _____

_____ (NAME)
of _____

(being a member of the Company) as my/our proxy to vote for me/us and on my/our behalf at the 29th Annual General Meeting of the Company to be held at its Registered Office at Universal House, West Canal Road, Farooqabad, Faisalabad on Thursday, the 31st day of October, 2013 at 11:00 A.M. or any adjournment thereof.

As witnessed my hands this _____ day of _____ 2013

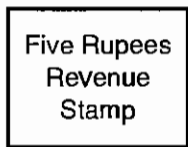
Signed by me in the presence of witness: _____

(Signature of witness)

(Member's Signature)

CNIC. _____

CNIC. _____



Note: Proxies, in order to be effective, must be received at the Company's Registered Office not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.