

DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the board of directors, I take pleasure to present Annual Report along with the Audited Accounts of the company pertaining to the financial year ending on June 30, 2014

FINANCIAL HIGHLIGHTS

The Company showed a loss after tax Rs.47.524 Million for the year where as it was RS.13.987 for the last year. The Financial results are summarized hereunder:-

| | 2014 | 2013 |
|-------------------------|---------------|---------------|
| | Rupees | Rupees |
| SALES | 1,447,051,095 | 1,284,222,860 |
| GROSS PROFIT | 21,053,861 | 79,717,119 |
| OPERATING PROFIT/(LOSS) | (1,726,869) | 57,368,310 |
| FINANCIAL EXPENSES | (50,344,206) | (66,844,789) |
| TAXATION | 4,546,793 | (4,510,272) |
| NET LOSS AFTER TAX | (47,524,282) | (13,986,751) |
| LOSS PER SHARE | (10.64) | (3.13) |

The year under review was started with best hopes because new Government was elected and we were hopeful that Muslim league N was hot favorite for business people. Unfortunately the hope finished when the prices of Fuel were increased about 50% and instead of this increase the supply of Electricity and Gas was not constant and proper. The salaries of Labor were increased about 25% from Rs. 8000 to 10000. The Government also had taken few steps which were disaster for spinning industry in textile sector as they allowed duty free import of yarn from India and imposed anti-dumping duty on import of raw material from China. The rates of yarn fall like nose dip whenever the cost of yarn increased as compared to previous year. Several units of spinning were closed during the year due to heavy losses but the management of your company tried to find out different counts which were viable and have good market. We experienced to manufacture Haider grey, knitting yarn with intimate blend and staple yarn. We are proud to say that your unit was never closed unless there was electricity or gas available. The company had paid Rs. 60.212 million excess as compared to previous year due to increase in electricity and gas tariff.

This has been another difficult year due to economic challenges facing the country, prevailing law and order conditions, ever increasing competition in the spinning sectors and increasing demand of quality yarn coupled with other problems of shortage of working capital.

Despite these circumstances the management has taken various steps to reduce cost of electricity and improve the quality and productivity.

COST CONTROL

The management has instituted the cost control and efficiency approach. Cost control measures and efficiency has been a continuing pursuit of the management. However the costs have risen due to overall inflationary trend in almost all areas of overheads and shortage of energy like Gas and Electricity also increased cost of Production..

Earnings per ordinary shares amount to Rs. (10.64) in current year as compared to Rs. (3.13) in last year.

ADDITION TO FIXED ASSETS

During the year under review, the following major additions have been made in the Fixed Assets of the Company.

1. 1 No. Uster Quantum.
2. 2 Nos. Air Compressor and Welding Plant
3. One Compress Wheel with service and repair kit.
4. 2 Nos.Uster sensing head
5. 10 Nos. Complete Compact System
6. Load Take of Panel, Motor, Water Pump
7. PVC Flexible Cable, Angles, Star date Load type of Panel with accessories and others.
8. 1 No. Lighting Distribution Board.
9. 2 Nos. of Air Conditioner with fitting.
10. 1 No. Vehicle.

FUTURE OUTLOOK

The management of the company is continuously making efforts in order to improve the profitability of the company in this regard already production capacity of the company has been improved. Now the company is planning to produce high quality of Staple, PC, CVC and Cotton yarn with the better machinery setup.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board of Directors has taken necessary steps to comply with the provisions of code of corporate governance as incorporated in the listing regulations of stock exchanges. Statement of the compliance with the code of corporate governance is annexed.

Statement on Corporate & Financial Reporting Framework

The Company complies with the Code in the following manner.

- a. The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and change in equity.
- b. Proper books of account of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.

- d. International Accounting Standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed and explained.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. Keeping in view the increased requirement of working capital due to high rates of raw material and finances required for re-payment of loans, it is considered necessary to conserve cash resources. The Directors, therefore, have decided not to recommend cash dividend. We have prepared and circulated a statement of ethics and business strategy among directors and employees.
- i. The company operates an un-funded gratuity scheme for its employees and provision has been made in the accounts accordingly.
- j. The board of directors has adopted a mission statement and a statement of overall corporate strategy.
- k. During the year under review five meetings of the Board of Directors were held and attendance positions is hereunder:

| <u>Name of Director</u> | <u>Number of Meetings attended</u> |
|-------------------------|------------------------------------|
| Mr. Nauman Almas | 5 |
| Mrs. Shamim Akthar | 3 |
| Mrs. Fareeha Pervaiz | 3 |
| Mrs. Shumaila Azeem | 4 |
| Mr. Waseem K. Haq | 4 |
| Mr. Shoaib A Khan | 3 |
| Mr. Muhammad Azhar Amin | 5 |

Audit committee

The Board of Directors in compliance of the code of corporate governance has established Audit Committee. The names of its members are given in the Company profile.

The terms of reference of the Audit Committee is based on the scope as defined by the Securities and Exchange Commission of Pakistan (SECP) and the guidelines given by the Board of Directors from time to time to improve the system and procedures.

Within the framework of terms of reference determined by the Board of Directors, the Audit Committee, among other things, will appoint the external auditors and review of periodic accounts.

HR and Remuneration Committee

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

Auditors

The present auditors MessrsMushtaq& Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

Pattern of shareholding

The pattern of shareholding as required by Section 236 of the Companies Ordinance 1984 and under Code of Corporate Governance is enclosed.

Key operating and financial data

Key operating and financial data for the preceding six years is annexed.

Dividend

As the accounts shows considerable losses for the year therefore no dividend is recommended by the Board of Directors in their meeting for the year ended June 30, 2014.

Statutory payments

There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2014 except for those disclosed in the financial statements.

Corporate restructuring and business expansion

Company has currently no plans for corporate restructuring, business expansion and discontinuance of operations.

Acknowledgement

The Directors of the Company wish to thanks its bankers for their continued support and wish to place on record their appreciation towards the employees for their dedicated services and hard work without which all this would have not been possible.

For & on behalf of the Board

NAUMAN ALMAS
Chief Executive

Lahore,

Dated: October 10, 2014.