HUSSAIN GROUP

Annual Report 2012

Bringing perfection to quality

HUSSAIN MILLS LIMITED

بسم الله الرحمن الرحيم

Contents

COMPANY INFORMATION

Board of Directors		Mr. Muhammad Ismail (Chief Executive) Mr. Sheikh Umar Farooq Mr. Hussain Ahmad Fazal Mr. Mushtaq Ahmad Mst. Ghazala Nasreen Mr. Sajjad Shakoor Mr. Sarfraz Hassan
Chief Financial Officer		Mr. Mushtaq Ahmad
Auditors		Tariq Ayub Anwar & Co. Chartered Accountants
Bankers		Askari Bank Limited Allied Bank Limited National Bank of Pakistan Habib Bank Limited Soneri Bank Limited MCB Bank Limited Meezan Bank Limited Orix Leasing Pakistan Limited Pak Oman Investment Co. Ltd. Bank Islami Pakistan Ltd. Faysal Bank Limited Al-Baraka Bank Pakistan Limited
Offices:		
	Karachi:	Room # 808, 8th Floor, Saima Trade Tower-B, I.I. Chundrigar Road, Karachi. Ph. No. 92-21-2217328-9
	Multan (Unit-1&3)	Fazalabad, Vehari Road, Opp. Timber Market, Multan. Ph. No. 92-61-6527238, 6528245, 6760524 Fax No. 92-61-6526487, 6526572 Web Site: www.hussaingroup.com
	Multan (Unit-2)	35-KM Bahawalpur Road, Near Adda Muhammad Pur, Multan.
	Multan (Unit-4)	Qadir Pur Rawan Bypass, Khanewal Road, Multan. Ph. NO. 92-61-4578866-7
	Kabir Wala (Unit-5)	17-KM Mauza Kohi Wala, Kabirwala, Khanewal.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Hussain Mills Limited ("Company") are pleased to present 34th Annual Report of the Company, along with Audited Financial Statements for the Year ended 30th June, 2012 and Auditors' Report thereon.

OPERATIONAL PERFORMANCE

During the year under review, the Company's performance remained remarkable. Briefs of financial results given below will give you a quick look of the financial year's performance of the Company with comparison of the preceding year:

	2012 Rupees	2011 Rupees
Sale	13,843,782,833	13,976,822,318
Gross Profit	1,735,312,176	1,616,317,418
Operating Profit	1,174,231,678	1,113,581,346
Finance Cost	(648,987,786)	(517,944,509)
Profit before Tax	525,243,892	595,636,837
Profit after Tax	369,364,416	575,729,030
Earning Per Share	19.64	30.61

The Sales for the year was Rs. 13.844 billion giving a minimal decrease of Rs. 133.039 million in the preceding year, which constitutes a 0.95% fall of the Sales. Decrease in Sales is due to generally low prices of the products in the market. Despite the decraese in Sales, Gross Margin has marginally improved to 12.53% as compared to the previous year. The Finace Cost was constituted to 4.69% of the Sales as compared to 3.71% in preceeding year.

OPERATIONAL REVIEW

The financial year under review was a mix of pressure and opportunities i.e. political uncertainty, abnormal hike in gas, electricity, transportation etc. But all credit goes to the management who procured cotton at moderate prices for the financial year and contributed to attain encouraging results for the company. The management did its level best to purchase quality cotton from local and international markets at favorable prices.

In a nutshell, the whole scenario moved towards achieving better operating results of the company. In addition, looking at the international markets, economic condition is gradually overcoming the previous recession and crunch. This encouraging situation paved the way to get attractive prices of the yarn and fabrics internationally.

GENERAL MARKET SCENARIO AND FUTURE PROSPECTS

Cotton production during the current season (2012-13) is expected more that 14 Million bales and cotton prices are expected to remain competitive. Yarn demand is robust and prices are stable. In view of the above, your management is expecting good result during current financial year.

FINANCIAL STATEMENTS

M/s Tariq Ayub, Anwar and Co. Chartered Accountants audited the financial statements of the company and issued clean audited report in this respect for the financial year that comes to an end on June 30, 2012 and the same is annexed to the financial statements.

AUDITORS

The retiring auditors M/s Tariq Ayub, Anwar and Co. chartered Accountants retire and being eligible, have offered themselves for re-appointment. The board recommended their re-appointment as external auditors until the conclusion of the next Annual General Meeting. Said chartered accountants are a member firm of Clarkson Hyde International world wide and are on the panel of the State Bank of Pakistan and have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan.

EXPANSION PLAN

It is quite hard to forecast any definite conclusion about the performance of the company in future because of market fluctuation & irrational government policies. However, normal BMR will remain continue as and when required.

MANAGEMENT / LABOUR RELATIONS

The Management / Labour relations remained warm and cordial throughout the year under review. We place great importance on our employees. We continue to invest in the professional development and improvement of skills of our human resources, since we believe that by investing in our people we invest in our future. Company's human resource policy is based on the underlying values of fairness, merit, equal opportunity and social responsibility. Complying with our human resource policies we do not hire any child labour.

The employees and management of the company continued to make joint efforts to keep up high standards of productivity. By the grace of Allah the Almighty, relationship of management and employees continued to remain in total harmony.

The board wishes to place on record its deep appreciation to all of them for their hard work and dedication to achieve these results.

For and on behalf of the Board

sd/-
HUSSAIN AHMAD FAZAL
Director

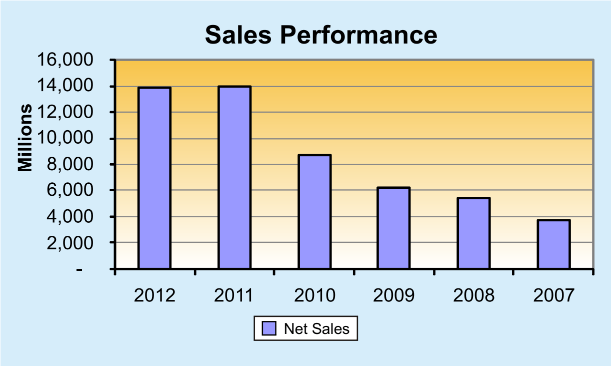
LAHORE:
4TH OCTOBER, 2012

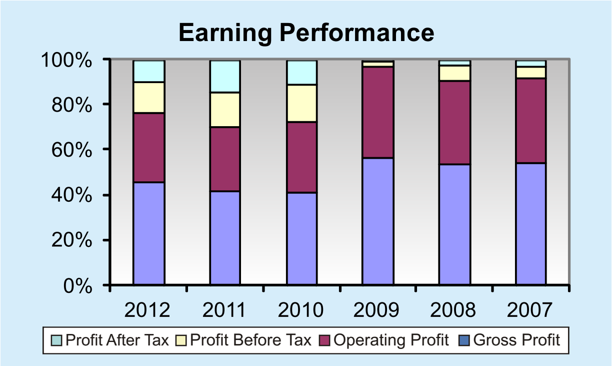
FINANCIAL HIGHLIGHTS

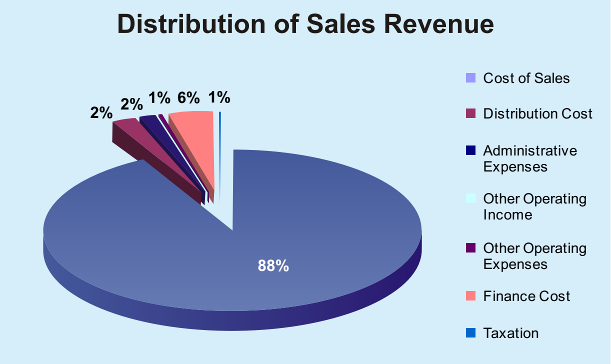
Six Year Growth at Glance

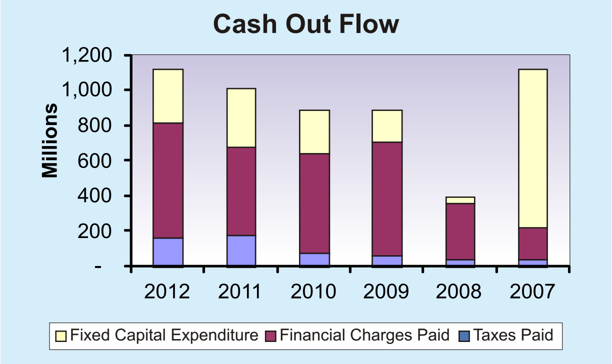
PARTICULARS	Year Ended					
	2012	2011	2010	2009	2008	2007
Profit and Loss						
Net Sales	13,843,782,833	13,976,822,318	8.695,516,488	6,253,776,491	5,392,224,041	3,768,564,364
Gross Profit	1,735,312,176	1,616,317,418	1,591,134,741	1,006,899,871	673,963,859	320,796,913
Operating Profit	1,174,231,678	1,113,581,346	1,200,314,948	722,272,842	466,866,082	223,449,866
Profit Before Tax	525,243,892	595,636,837	632,703,699	48,590,111	82,578,920	32,758,077
Profit After Tax	369,364,416	575,729,030	432,870,714	10,687,878	35,012,376	17,420,308
Cash Out Flows						
Taxes Paid	161,643,265	175,456,298	69,590,225	56,781,883	37,714,858	33,190,258
Financial Charges Paid	650,573,182	495,936,004	566,803,516	645,368,872	318,667,722	184,161,303
Fixed Capital Expenditure	301,827,847	337,536,607	245,275,172	181,911,038	35,156,783	901,085,409
Balance Sheet						
Current Assets	5,215,010,339	3,835,328,189	3,700,803,054	3,333,607,647	2,982,785,169	1,724,892,482
Current Liabilities	5,205,456,482	3,924,929,241	3,271,374,802	3,229,024,162	3,141,774,473	1,831,859,983
Operating Fixed Assets - Owned	5,263,190,435	5,394,691,901	4,258,404,902	3,794,569,153	3,797,735,853	3,938,186,825
Total Assets	10,830,022,489	9,434,095,210	8,265,017,304	7,394,097,896	7,027,046,305	5,843,825,730
Long Term Loans and Finances	1,051,615,026	1,361,139,967	1,482,665,993	1,643,560,501	1,373,065,708	1,502,318,149
Shareholders' Equity	2,329,440,586	1,917,781,078	1,158,873,548	677,856,047	615,945,623	577,419,493
Financial Ratios						
Current Ratio	1.00	0.98	1.13	1.03	0.95	0.94
Gearing Ratio (%age)	0.71	0.71	0.79	0.87	0.85	0.82
Gross Profit Ratio (%age)	12.53	11.56	18.30	16.10	12.50	8.51
Net Profit Ratio (%age)	0.030	0.045	0.055	0.010	0.65	0.46
Return on Capital Employed (%age)	1.96	3.06	2.30	0.06	5.68	3.02
Earning Per Share	19.64	30.61	23.03	0.57	1.86	0.93
Production Machines						
Spinning Section						
Spindles Installed	93,720	93,720	76,440	76,440	76,440	76,440
Spindles Works	93,720	93,720	76,440	76,440	76,440	76,440
Number of Rotors Installed	-	2,000	2,000	2,000	2,000	2,000
Number of Rotors Worked	-	2,000	2,000	2,000	2,000	2,000
No. of Shifts Worked per Day	3	3	3	3	3	3
Installed Capacity at 20/s Count (Kgs.)	34,880,573	31,139,671	30,513,554	30,513,554	32,894,703	30,790,050
Actual Production converted into 20/s Count (Kgs.)	23,276,824	24,539,948	22,969,510	22,674,377	24,703,924	24,009,611
Weaving Section						
Number of Looms Installed	210	130	120	120	103	103
Number of Looms Worked	210	130	120	120	103	103
Number of Shifts Worked per day	3	3	3	3	3	3
Installed Capacity at 50 Picks - Sq Meter	48,754,207	42,381,432	29,471,525	29,471,525	24,477,256	10,059,146
Actual Production converted into 50 Picks - Sq. Meter	25,912,353	26,295,716	23,571,213	23,112,011	19,846,243	8,976,197

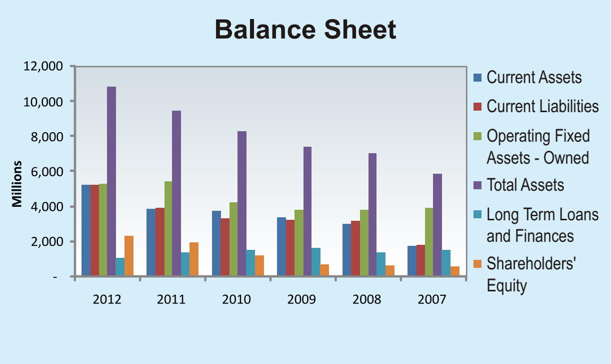
FINANCIAL HIGHLIGHTS

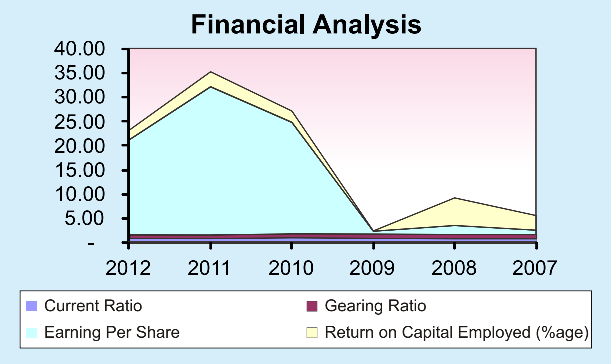


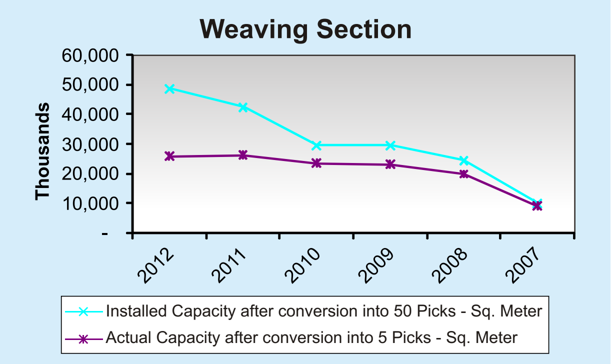


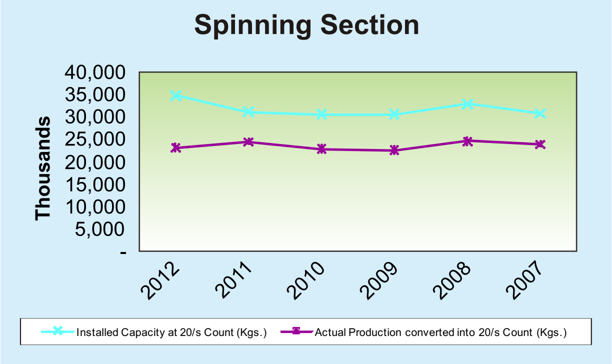












AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of HUSSAIN MILLS LIMITED as at 30th June, 2012 and the related Profit and Loss Account, 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 the explanations which to the best of our knowledge and belief were necessary for the purpose 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 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 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 the 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 the 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 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, Cash Flow Statement and the Statement of Changes in Equity, together with the Notes forming part thereof, 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 Company's affairs as at 30th June, 2012 and of the Profit and the Cash Flows for the Year then ended; and

d) In our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore:
84-B-I, Gulberg-III
4th October, 2012

TARIQ AYUB, ANWAR & CO.
CHARTERED ACCOUNTANTS
AUDIT ENGAGEMENT PARTNER: MUHAMMAD ANWAR KHAN

BALANCE SHEET

AS AT 30TH JUNE, 2012

	Note	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
40,000,000 (2011: 40,000,000) Ordinary Shares of Rs.10 each		400,000,000	400,000,000
Issued, Subscribed and Paid Up Capital	4	188,102,570	188,102,570
Capital Reserves		129,738,223	129,738,223
Un-appropriated Profit		2,011,599,793	1,599,940,285
		2,329,440,586	1,917,781,078
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	5	1,871,350,747	1,932,988,856
NON CURRENT LIABILITIES			
Long Term Finances	6	1,051,615,026	1,361,139,967
Liabilities against Assets subject to Finance Lease	7	115,190,638	26,034,027
Deferred Liabilities	8	256,969,010	271,222,041
		1,423,774,674	1,658,396,035
CURRENT LIABILITIES			
Trade and Other Payables	9	298,719,591	391,301,932
Accrued Interest and Mark-up	10	136,672,958	138,258,354
Short Term Borrowings	11	4,307,669,034	2,905,860,215
Current Portion of Long Term Liabilities	12	462,394,899	489,508,740
		5,205,456,482	3,924,929,241
CONTINGENCIES AND COMMITMENTS	13	-	-
		10,830,022,489	9,434,095,210
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	5,506,347,112	5,492,528,537
Intangible Assets	15	4,375,785	6,563,677
Long term Investments	16	12,200,366	13,052,745
Long Term Loans and Advances	17	45,568,000	49,440,000
Long Term Deposits and Prepayments	18	46,520,887	37,182,062
		5,615,012,150	5,598,767,021
CURRENT ASSETS			
Stores, Spares and Loose Tools	19	106,968,054	87,244,440
Stock in Trade	20	3,149,925,276	1,810,028,359
Trade Debts	21	1,699,297,457	1,064,937,858
Loans and Advances	22	81,572,927	594,909,271
Trade Deposits and Short Term Prepayments	23	645,526	1,058,963
Interest Accrued	24	351,344	393,830
Other Receivables	25	50,457,150	34,358,712
Short Term Investments	26	373,100	777,075
Tax Refunds Due from Government Departments	27	48,002,195	56,921,876
Cash and Bank Balances	28	77,417,310	184,697,805
		5,215,010,339	3,835,328,189
		10,830,022,489	9,434,095,210

The annexed Notes from 1 to 43 form an integral part of these Financial Statements.

Lahore: 4th October, 2012	sd/- **(Hussain Ahmad Fazal)** Director	sd/- **(Muhammad Ismail)** Chief Executive

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE, 2012

	Note	2012 Rupees	2011 Rupees
SALES	29	13,843,782,833	13,976,822,318
COST OF SALES	30	(12,108,470,657)	(12,360,504,900)
GROSS PROFIT		1,735,312,176	1,616,317,418
DISTRIBUTION COST	31	(305,195,692)	(275,865,811)
ADMINISTRATIVE EXPENSES	32	(216,999,529)	(186,005,865)
OTHER OPERATING EXPENSES	33	(41,408,873)	(44,230,293)
		(563,604,094)	(506,101,969)
OPERATING PROFIT before Other Income		1,171,708,082	1,110,215,449
OTHER OPERATING INCOME	34	2,523,596	3,365,897
OPERATING PROFIT after Other Income		1,174,231,678	1,113,581,346
FINANCE COST	35	(648,987,786)	(517,944,509)
NET PROFIT FOR THE YEAR before Taxation		525,243,892	595,636,837
TAXATION	36	(155,879,476)	(19,907,807)
NET PROFIT FOR THE YEAR after Taxation		369,364,416	575,729,030
OTHER COMPREHENSIVE INCOME:			
Un-realized Gain/(Loss) on Re-Measurement of fair value of investments held for sale		(821,228)	8,310,372
Transferred from Surplus on Revaluation of Fixed Assets in Respect of Incremental Depreciation	5	43,116,320	47,424,755
Total Other Comprehensive Income		42,295,092	55,735,127
TOTAL COMPREHENSIVE INCOME		411,659,508	631,464,157
EARNING PER SHARE:	37	19.64	30.61

The annexed Notes from 1 to 43 form an integral part of these Financial Statements

Lahore:
4th October, 2012

sd/-
(Hussain Ahmad Fazal)
Director

sd/-
(Muhammad Ismail)
Chief Executive

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE, 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before Taxation		525,243,892	595,636,837
Adjustment for:			
Provision for Gratuity		16,787,326	25,266,617
Provision for Workers' (Profit) Participation Fund		28,210,299	31,989,089
Provision for Workers Welfare Fund		10,751,795	12,155,854
Depreciation		236,421,259	201,332,850
Balances Written off		462,186	85,350
Loss/ (Profit) on Disposal of Fixed Assets		1,906,105	(419,108)
Dividend Income		-	(240,000)
Interest Income		(480,234)	(604,598)
Return on Bank Deposits		(262,460)	(1,138,418)
Amortization of Intangible Asset		2,187,892	2,187,892
Gain on Investments		(1,696,104)	(771,684)
Finance Cost		648,987,786	517,944,509
		943,275,850	787,788,353
		1,468,519,742	1,383,425,190
EFFECT ON CASH FLOW OF WORKING CAPITAL CHANGES			
(Increase)/Decrease in Current Assets			
Stores, Spares and Loose Tools		(19,723,614)	(10,432,546)
Stock in Trade		(1,339,896,917)	444,721,181
Trade Debtors		(634,821,785)	(305,596,384)
Loans and Advances		513,336,344	(94,598,429)
Trade Deposits and Short Term Prepayments		413,437	156,002
Other Receivables		(16,098,438)	5,577,762
Increase/(Decrease) in Current Liabilities			
Trade and Other Payables		(88,803,551)	183,911,106
		(1,585,594,524)	223,738,692
Cash Generated (in)/from Operations		(117,074,782)	1,607,163,882
Income Tax Paid		(161,643,265)	(175,456,298)
Finance Cost Paid		(650,573,182)	(495,936,004)
Gratuity Paid		(27,108,682)	(18,431,456)
Workers' (Profit) Participation Fund Paid		(31,989,089)	(34,335,135)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(988,389,000)	883,004,989
CASH FLOW FROM INVESTING ACTIVITIES			
Interest Income		522,720	580,800
Return on Bank Deposits		262,460	1,138,418
Dividend Received		-	240,000
Fixed Capital Expenditure		(301,827,847)	(337,536,607)
Proceeds from Disposal of Fixed Assets		31,160,119	982,500
Net Assets Merged - excluding Operating Assets		-	(742,585,899)
Proceeds from Long Term Investments		31,151	41,132
Short Term Investments		2,100,079	295,596
Long Term Loan Recovered		3,872,000	3,872,000
Long Term Deposits and Prepayments		(9,338,825)	(26,679,070)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(273,218,143)	(1,099,651,130)
CASH FLOW FROM FINANCING ACTIVITIES			
Long Term Finances - net		(378,217,427)	(92,402,822)
Finance Lease Liabilities		91,201,481	54,544,534
Loan from Directors/Sponsors		39,533,775	34,349,254
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(247,482,171)	(3,509,034)
NET DECREASE IN CASH AND EQUIVALENTS		(1,509,089,314)	(220,155,175)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(2,721,162,410)	(2,501,007,235)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	38	(4,230,251,724)	(2,721,162,410)

The annexed Notes from 1 to 43 form an integral part of these Financial Statements.

Lahore:
4th October, 2012

sd/-
(Hussain Ahmad Fazal)
Director

sd/-
(Muhammad Ismail)
Chief Executive

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH JUNE, 2012

PARTICULARS	PAID-UP SHARE CAPITAL	CAPITAL RESERVES			UN-APPRO-PRIATED PROFIT	TOTAL
		PREMIUM ON SHARES	MERGER RESERVE	TOTAL		
	RUPEES					
Balance as at 30th June, 2010	187,997,420	2,400,000	-	2,400,000	968,476,128	1,158,873,548
Shares Cancelled as per Merger Scheme	(148,400)	-	-	-	-	(148,400)
Issued against Consideration Other than Cash	253,550	952,334	-	952,334	-	1,205,884
Reserve Arising on Amalgamation	-	-	126,660,389	126,660,389	-	126,660,389
Bargain Purchase Loss Arising on Acquisition of Non-Controlling Interest in N Ltd.	-	-	(274,500)	(274,500)	-	(274,500)
Total Comprehensive Income for the Year ended 30th June, 2011	-	-	-	-	631,464,157	631,464,157
Balance as at 30th June, 2011	**188,102,570**	**3,352,334**	**126,385,889**	**129,738,223**	**1,599,940,285**	**1,917,781,078**
Total Comprehensive Income for the Year ended 30th June, 2012	-	-	-	-	411,659,508	411,659,508
Balance as at 30th June, 2012	**188,102,570**	**3,352,334**	**126,385,889**	**129,738,223**	**2,011,599,793**	**2,329,440,586**

The annexed Notes from 1 to 43 form an integral part of these Financial Statements.

Lahore:
4th October, 2012

sd/-
(Hussain Ahmad Fazal)
Director

sd/-
(Muhammad Ismail)
Chief Executive

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE, 2012

1 STATUS AND NATURE OF BUSINESS

Hussain Mills Limited ("the Company") was incorporated in Pakistan on 31st March, 1980 as a Public Limited Company under the Companies Act 1913 (Now Companies Ordinance, 1984). This is an unquoted Company which is principally engaged in manufacturing/purchase and sale of Yarn and Fabric. The manufacturing units of the Company are located in the vicinity of Multan. The principal office of the Company is situated at Saima Trade Tower-B, I I Chundrigar Road, Karachi.

2 BASIS OF PREPARATION

2.1 BASIS OF MEASUREMENT

These Financial Statements have been prepared under the historical cost convention except for revaluation/re-measurement as indicated in Note 5.2, 16.2 and 26, without any adjustment of Inflation or Current Values, if any, using, except for Cash Flow Statement, Accrual basis of Accounting.

2.2 STATEMENT OF COMPLIANCE

These Financial Statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and approved accounting standards as applicable in Pakistan. Approved accounting standards for Economically Significant Entities (ESEs) 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.

2.3 CHANGES TO STANDARDS, INTERPRETATIONS AND PUBLISHED APPROVED ACCOUNTING STANDARDS

Amendments to Published Approved Standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2011:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the International Accounting Standards Board (IASBs) comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. However, this amendment has no material impact on these financial statements.

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2011). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. However, this amendment has no material impact on these financial statements.

Interpretations and amendments to published approved standards that are effective in current year but not relevant to the Company

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2011 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.

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 2012 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 offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting 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 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2013). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation - Special Purpose Entities' in its entirety. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

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.

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

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. However, this amendment is not expected to have a material impact on the Company's financial statements.

IAS 16 (Amendment), 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2013). This amendment requires that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. However, this amendment is 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.

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 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.

2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Financial Statements in conformity with the approved accounting standards and application of the Company's significant accounting policies stated in Note 3, 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, including expectations of future events that are believed to be reasonable under the circumstances, Following are the areas where various assumptions and estimates are significant to the Company's Financial Statements or where judgment was exercised in application of accounting policies are as follows:

(i)	Employees Retirement Benefits	(Note 3.2)
(ii)	Taxation	(Note 3.3)
(iii)	Useful Life of Assets and Depreciation/Amortization	(Note 3.6)
(iv)	Financial Instruments and Investments	(Note 3.15)

2.5 FUNCTIONAL AND PRESENTATION CURRENCY

These Financial Statements are presented in Pakistan Rupees which is the Company's Functional and presentation currency.

2.6 FIGURES are rounded off to the nearest Rupee.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The significant accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.2 STAFF RETIREMENT BENEFITS

The Company operates an unfunded Gratuity Scheme covering all eligible Employees of the Company who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually to cover the obligation and charged to income currently in accordance with actuarial recommendation. The projected unit credit method is based on assumptions stated in Note 8.3.

3.3 TAXATION

Current:

Charge for Taxation is based on taxable income if any, at the current rates of tax after taking into account available tax credits and tax rebates, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred:

Deferred Tax is recognized using balance sheet liability method in respect of all taxable temporary timing differences between the amounts used for financial reporting purpose and amounts used for taxation purposes. However, Deferred Tax is not provided if it can be established with reasonable accuracy that these differences will not reverse in the foreseeable future.

The Company recognizes deferred tax assets on all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated using rates that are expected to apply to the period when these differences are expected to 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 where deferred tax arises on the items credited or charged directly to the equity, in which case it is included in equity.

3.4 FOREIGN CURRENCY TRANSLATIONS

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Exchange gains/losses due to exchange fluctuations on principal loans are capitalized as part of the cost of machinery acquired out of the proceeds of such Foreign Currency Loans. All other exchange differences are taken to the Profit and Loss Account.

3.5 BORROWING COST

Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to income in the period of incurrence.

Investment income earned on the temporary investment of specific borrowings spend their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

3.6 PROPERTY, PLANT AND EQUIPMENT

These are stated at Cost less accumulated Depreciation and impairment, if any, except Freehold Land, Buildings, Plant and Machinery and Capital work-in-Progress. Buildings on freehold land and Plant and Machinery are stated at re-valued amount less accumulated Depreciation thereon. Freehold Land and Capital Work-in- Progress are stated at Re-Valued Amount and Cost, respectively. Cost, in relation to Capital Work in Progress, consists of expenditure incurred in respect of Fixed Assets in the course of their construction, installation and acquisition.

Cost of certain items of Plant and Machinery consists of historical cost and exchange fluctuations on foreign currency loans utilized for acquisition thereof. Borrowing Costs pertaining to erection / construction period are capitalized as part of the historical cost.

Depreciation is charged to income applying the reducing balance method to write-off the Cost, capitalized Exchange Fluctuations and Borrowing Costs over the estimated remaining useful life of the assets. The useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these items of Fixed Assets. Rates of Depreciation are stated in Note 14.2. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal respectively. Gains/losses on disposal of Fixed Assets are taken to Profit and Loss Account.

Depreciation on major additions to the Fixed Assets is charged from the month in which Fixed Asset is put to use or becomes operational while no depreciation is charged for the month in which Fixed Asset is disposed off.

Minor Repairs and Maintenance are charged to Income, as and when incurred. Major Renewals and Replacements are capitalized and the Assets so replaced, if any, other than those retained as stand by, are retired.

3.7 ASSETS SUBJECT TO FINANCE LEASE

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of lease are accounted for as liabilities. Financial charges are allocated to the accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Depreciation is charged at the rates stated in Note 14.2 applying the reducing balance method to write-off the Cost of the Asset over its estimated remaining useful life in view of certainty of ownership of Assets at the end of the lease period.

Financial Charges and Depreciation on leased Assets are charged to Income currently.

3.8 INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to income on straight line basis during the estimated useful life of assets. The useful life is reviewed periodically to ensure that it is consistent with the expected pattern of economic benefits.

Amortization is charged from the month of acquisition and up to the month preceding the disposal respectively. Gain/ loss on disposal of intangible assets are taken to profit and loss account.

3.9 INVESTMENTS AND OTHER FINANCIAL ASSETS

Investment in Subsidiary

Investment in subsidiary is carried at cost less impairment, if any and is classified as Held for Sale. Gain/(Loss) arising on merger of subsidiary is recognised as Capital Reserve.

Others

Financial Assets in the scope of IAS 39: "Financial Instruments - Recognition and Measurement", are classified as either Financial Assets at Fair Value through Profit and Loss, Loans and Receivables, Held to Maturity Investments and Held for Sale Financial Assets as appropriate. When Financial Assets are recognized initially, they are measured at fair value, plus, in the case of Investments not at Fair Value through Profit or Loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and where allowed and appropriate revalue these designation at each financial year end.

All regular way purchases and sales of Financial Assets are recognized on the trade date i.e. the date the Company commits to purchase the Asset. Regular way purchases or sales are purchases/sales of Financial Assets that require delivery of Assets within the period generally established by regulation or convention in the Market place.

Investment at fair value through profit or loss

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

Held to Maturity Investments

Investment with fixed or determinable payments and fixed maturity are classified as held to maturity when the Company has the positive intention and ability to hold to maturity. Held to maturity investments are initially recognized at cost inclusive of transaction cost and are subsequently measured at amortized cost using effective interest rate method. Gains or Losses on investments held-to-maturity are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

Loans and Receivables

These are non derivative Financial Assets with Fixed or Determinable payments that are not Quoted in an Active market. Such assets are carries at amortized cost using the effective interest method. Gains and Losses are Recognized in Income when the Loans and Receivables are De-recognized or impaired, as well as through the amortization process.

Held for Sale Financial Assets

Financial Assets intended to be held for an indefinite period of time, which may by sold in response to need for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at fair value plus transaction cost and subsequently re-measured at fair value. Gains and losses arising from re-measurement at fair value is recognized in the equity under fair value reserve until sold, collected, or otherwise disposed off at which time, the cumulative gain or loss previously recognized in equity is included in profit and loss account.

The fair value of investments that are actively traded in organized financial markets is determined by reference to Quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques.

The un-recognized gain on re-measurement of investments at fair value is not available for distribution. This will be transferred to Profit and Loss Account on de-recognition of Investments.

De-recognition
All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. These investments are accounted for in accordance with IAS-39 "Financial Instruments: Recognition and Measurement".

3.10 STORES, SPARES AND LOOSE TOOLS
These are valued at moving average Cost less allowance for obsolete and slow moving items. Stores-in-transit are valued at Cost accumulated to the Balance Sheet date.

3.11 STOCK - IN - TRADE as valued as follows:

Particulars	Mode of Valuation
Raw Materials:	
At mills	At the Lower of Cost and Net Realizable Value
In-Transit	At Cost Accumulated to the Balance Sheet date.
Work-in-Process:	At Raw Material Cost and Conversion Cost appropriate to the Stage of Completion.
Finished Goods	At the Lower of Cost and Net Realizable Value.
Waste	At Realisable Value.
Other Stocks	At Cost.

Cost in relation to Work-in-Process and Finished Goods represents the annual average Manufacturing Cost which consists of Prime Cost and appropriate Production Overheads.

Net Realizable Value signifies the Selling Price in the ordinary course of business less Cost necessary to be incurred to effect such Sale.

3.12 REVENUE RECOGNITION:
Sales are recorded on dispatch of goods to the Customers. Processing Charges are recorded when Goods are delivered to Customers and Invoices are raised. Return on Investments and Deposits are recorded on time proportion basis. Dividend Income is recognized when right to receive is established. Interest/Mark up is recognized as this becomes due.

3.13 TRADE DEBTS, ADVANCES TO SUPPLIERS AND OTHER RECEIVABLES
These are carried at original invoice amount less estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

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

3.15 FINANCIAL INSTRUMENTS

Recognition and Measurements
Financial instruments are recognized at fair value when the Company becomes party to the contractual provisions of the instruments by the following trade date accounting. Any gain or loss on the subsequent measurement is charged to the profit and loss account. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise

looses the control over contractual right that comprises the financial asset or a portion of financial asset. While a financial liability or a part of financial liability is derecognized from the balance sheet when, and only when, it is extinguished, i.e., when the obligation specified in contract is discharged, cancelled or expired.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item, if any.

Financial assets are long term investments, trade debts, deposits, loans and advances, other receivables, short term investments and cash and bank balances.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term financing, short term financing and trade and other payables.

Off-setting of Financial Assets and Financial Liabilities

A financial asset and financial liability is offset against each other and the net amount is reported in the Balance Sheet, if the Company has a legally enforceable right to set off the recognized amount and intends either to settle on net basis or realize the assets and settle the liability simultaneously.

3.16 TRADE AND OTHER PAYABLES

Liabilities for Trade and Other Payables are carried at Cost which is the fair value of the consideration to be paid in the future for goods and services received, whether billed to the Company or not.

3.17 PROVISIONS

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

3.18 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 any such indication exists, the Asset's recoverable amount is estimated and Impairment Losses are recognized in the Profit and Loss Account.

3.19 CONTINGENCIES AND COMMITMENTS

Unless these are actual liabilities these are not incorporated in the Financial Statements.

3.20 SEGMENT REPORTING

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

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

The Company has two reportable business segments. Spinning (producing different quality of yarn using natural and artificial fibbers). Weaving (producing different quality of grey fabric using yarn).

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL represents Ordinary Shares of Rs. 10 each and comprises of:

2012 Number of Shares	2011 Number of Shares		2012 Rupees	2011 Rupees
17,024,093	17,037,542	Paid in Cash	170,240,930	170,375,420
-	(13,449)	Cancelled due to Merger	-	(134,490)
17,024,093	17,024,093		170,240,930	170,240,930
1,760,809	1,762,200	Issued as fully paid Bonus Shares	17,608,090	17,622,000
-	(1,391)	Cancelled due to Merger	-	(13,910)
1,760,809	1,760,809		17,608,090	17,608,090
25,355	25,355	Issued against Consideration Other than Cash	253,550	253,550
18,810,257	18,810,257		188,102,570	188,102,570

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

5.1 This is made up as follows:

	2012	2011
Balance at beginning of the Year		
Land - Freehlod	1,002,158,584	1,002,158,584
Buildings - on Freehold Land	326,820,669	343,788,008
Plant and Machinery	604,009,603	634,467,019
	1,932,988,856	1,980,413,611
Resulted from Revaluation during the Year	(18,521,789)	-
	1,914,467,067	1,980,413,611
Incremental Depreciation On Revaluation (Net of Deferred Tax) transferred to Comprehensive Income (Note 5.3)	(43,116,320)	(47,424,755)
	1,871,350,747	1,932,988,856

5.2 The Company has re-valued its entire class of certain assets as at 28th January, 2003. The Revaluation was carried-out by independent Values, M/S Hamid Mukhtar and Co., Lahore and has been duly certified by M. Yousaf Adil Saleem and Co., Chartered Accountants. And on 30th June, 2007, again, the Company had carried out revaluation of aforesaid assets through M/S BFA (Private) Limited, Multan. Subsequently, on 30th June, 2010, again, the Company has carried out revaluation of aforesaid assets through M/S Maricon Consultants (Private) Limited, Multan.

5.3 The incremental depreciation charged on re-valued assets during the period has been transferred to retained earnings (un-appropriated profit) to record realization of Surplus to the extent of incremental depreciation to comply with the amendment in Section 235 of the Companies Ordinance, 1984 and further notification of SECP to clarify the treatment of Surplus arising on revaluation of Fixed Assets.

6 LONG TERM FINANCES

6.1 These Comprise of:

		2012	2011
Secured:			
From Banking Companies	(Note 6.2)	760,744,561	1,010,896,002
From Suppliers		-	98,907,275
		760,744,561	1,109,803,277
Unsecured:			
From Directors	(Note6.11)	290,870,465	238,736,690
From Others		-	12,600,000
		290,870,465	251,336,690
		1,051,615,026	1,361,139,967

		2012 Rupees	2011 Rupees

6.2 LONG TERM FINANCING FROM BANKING COMPANIES AND FINANCIAL INSTITUTIONS represents secured Term Finance which have been obtained from:

		2012 Rupees	2011 Rupees
Askari Bank Limited	(Note 6.3)	166,981,598	222,614,057
Soneri Bank Limited	(Note 6.4)	163,250,556	49,000,000
Pak Oman Investment Company Limited	(Note 6.5)	24,000,000	40,000,000
Allied Bank Limited	(Note 6.6)	154,501,476	257,471,800
Bank Islami Pakistan Limited	(Note 6.7)	26,000,000	101,250,000
Faysal Bank Limited	(Note 6.8)	34,468,743	103,406,235
MCB Bank Limited	(Note 6.9)	24,344,280	36,516,420
National Bank of Pakistan	(Note 6.10)	167,197,908	200,637,490
		760,744,561	1,010,896,002

6.3 TERM FINANCES FROM ASKARI BANK LIMITED is made up as follows:

	2012 Rupees	2011 Rupees
Balance at the beginning of the Year	222,614,057	311,546,871
Add: Disbursement during the Year	31,100,000	13,797,855
	253,714,057	325,344,726
Less:		
Payment during the Year	7,221,488	650,000
Current Portion Shown under Current Liabilities	79,510,971	102,080,669
	86,732,459	102,730,669
Balance at end of the Year	166,981,598	222,614,057

These have been obtained for the import of Plant and Machinery for BMR/Expansion of Spinning Section. These are repayable in 1 to 12 equal half yearly installments which ranging from 30th September, 2012 to 1st March, 2019.

These Finances are secured by way of:

(i) First pari passu charge (with Soneri Bank Ltd.) to the extent of Rs. 350.000 Million (2011: 350.000 Million) on all present and future fixed assets of the Spinning Section.

(ii) First pari passu charge (with Bank Islami, Soneri Bank Ltd., and Pak Oman Investment Company Ltd.) to the extent of Rs. 575.000 Million (2011: 575.000 Million) on all present and future fixed assets of the Spinning Section.

(iii) First pari passu charge (with Bank Islami, Soneri Bank Ltd., and Pak Oman Investment Company Ltd.) to the extent of Rs. 550.000 Million (2011: 550.000 Million) on all present and future fixed assets of the Spinning Section.

(iv) Personal Guarantees of the Sponsoring Directors of the Company.

These carry mark-up rates ranging from 13.02% to 16.30% (2011: 13.75% to 14.89%) per annum for DF/TF and SBP rate 5.00% + 2.00% (2011: SBP rate 5.00%+ 2.00%) per annum for LTF-EOP, payable sami annually.

	2012 Rupees	2011 Rupees

6.4 TERM FINANCE FROM SONERI BANK LIMITED is made up as follows:

	2012 Rupees	2011 Rupees
Balance at beginning of the Year	49,000,000	34,000,000
Add:		
Transferred from N Ltd. due to Merger	-	92,302,685
Disbursement during the year	160,000,000	-
	209,000,000	126,302,685
Less:		
Transferred to Current Maturity	29,295,505	48,302,685
Payments made during the Year	16,453,939	29,000,000
	45,749,444	77,302,685
Balance at the end of the Year	163,250,556	49,000,000

This has been obtained for the import of Plant and Machinery under Letters of Credit. This Loan is secured against pari passu charge over fixed assets of the Company to the extent of Rs. 158.000 to 580.000 Million and is repayable in 6 to 12 equal half yearly installments which ranging from 18th August, 2012 to 30h September, 2018. These carry mark-up rates ranging from 12.70% to 16.30% (2011: 14.85% to 16.14%) per annum payable semi annually.

6.5 TERM FINANCE FROM PAK OMAN INVESTMENT COMPANY LIMITED is made up as follows:

	2012 Rupees	2011 Rupees
Balance at beginning of the Year	40,000,000	56,000,000
Less: Current Portion Shown under Current Liabilities	16,000,000	16,000,000
Balance at end of the Year	24,000,000	40,000,000

This has been obtained for the purchase of Plant and Machinery. This is secured against ranking charge Rs. 96.00 Million over fixed assets of the Company by way of equitable mortgage on Land and Buildings and hypothecation charge on Plant and Machinery of Weaving section and personal guarantees of working directors of the Company. The principal amount is repayable in 10 equal quarterly installments which ranging from 7th September, 2012 to 7th December, 2014. These carry mark-up rates ranging from 14.96% to 16.77% (2011: 15.35% to 16.59%) per annum, payable quarterly.

6.6 TERM FINANCE FROM ALLIED BANK LIMITED is made up as follows:

	2012 Rupees	2011 Rupees
Balance at beginning of the Year	257,471,800	375,442,124
Less: Current Portion Shown under Current Liabilities	102,970,324	117,970,324
Balance at end of the Year	154,501,476	257,471,800

This has been obtained for import of Plant and Machinery and Material. This finance is secured against a lien on the import documents, pari passu charge over fixed assets of the Weaving Unit of Company for Rs. 664 Million and personal guarantees of the working directors. The principal amount is repayable in 1 to 12 equal quarterly installments which ranging from 2nd October, 2012 to 4th April, 2015. These carry mark-up rates ranging from 13.05% to 15.28% (2011: 14.50% to 15.87%) per annum for DF and SBP rate 5% + 2.00% (2011: SBP rate 5% + 2.00%) per annum for LTF-EOP, payable quarterly.

6.7 TERM FINANCE FROM BANK ISLAMI PAKISTAN LIMITED is made up as follows:

	2012 Rupees	2011 Rupees
Balance at beginning of the Year	101,250,000	168,750,000
Less: Current Portion Shown under Current Liabilities	75,250,000	67,500,000
Balance at end of the Year	26,000,000	101,250,000

This has been obtained to refinance the existing Machinery with Diminishing Musharika facility previously financed through conventional loan. This is secured against parri pasu charge Rs. 333.333 Million over Fixed assets of the Company with 25% margin and personal guarantees of the working directors. The principal amount is repayable in 16 monthly installments which ranging from 1st July, 2012 to 1st October, 2013. This carries mark-up rates ranging from 14.26% to 16.04% (2011: 14.64% to 15.91%) per annum, payable monthly.

6.8 **TERM FINANCE FROM FAYSAL BANK** is made up as follows:

	2012 Rupees	2011 Rupees
Balance at beginning of the Year	103,406,235	172,343,727
Less: Current Portion Shown under Current Liabilities	68,937,492	68,937,492
Balance at end of the Year	34,468,743	103,406,235

This has been obtained to finance acquisition of spinning section. This is secured by way of pari passu charge over present and future fixed assets amounting to Rs. 450.000 Million of Company and personal guarantees of the working directors of the Company. This is repayable in 3 equal half yearly installments which ranging from 22nd November, 2012 to 22nd November, 2013. This carries Mark-up ranging from 13.93% to 15.69% (2011: 14.22% to 15.69%) per annum payable sami annually.

6.9 **TERM FINANCE FROM MCB BANK** is made up as follows:

	2012 Rupees	2011 Rupees
Balance at beginning of the Year	36,516,420	48,688,560
Less: Current Portion Shown under Current Liabilities	12,172,140	12,172,140
Balance at end of the Year	24,344,280	36,516,420

This has been obtained to finance acquisition of Fixed Assets (Gas Generator). This is secured by ranking charge on Gas Generator amounting to Rs. 74.000 Million of the Company and personal guarantees of the working directors of the Company. This is repayable in 6 equal half yearly installments which ranging from 21st October, 2012 to 21st April, 2015. This carries Mark-up ranging from 10.40% to 15.80% (2011: 10.40% to 15.64%) per annum payable sami annually.

6.10 **TERM FINANCE FROM NATIONAL BANK OF PAKISTAN** is made up as follows:

	2012 Rupees	2011 Rupees
Balance at beginning of the Year	200,637,490	211,887,490
Less: Current Portion Shown under Current Liabilities	33,439,582	11,250,000
Balance at end of the Year	167,197,908	200,637,490

This has been obtained to finance acquisition of Fixed Assets (Gas Generator and Air Jet Looms). This is secured by ranking charge on Air Jet Looms amounting to Rs. 60.000 Million and Gas Generator amounting to Rs. 232.000 Million of the Company and personal guarantees of the working directors of the Company. This is repayable in 7 to 12 equal half yearly installments which ranging from 20th July, 2012 to 20th January, 2018. This carries Mark-up ranging from 12.60% to 15.78% (2011: 15.38% to 15.75%) per annum payable quarterly.

6.11 **LONG TERM FINANCING FROM DIRECTORS** is unsecured, Interest Free and is repayable at the option of the Company. This includes an amount of Rs. 215 Million (2011: Rs. 215 Million) which has been subordinated to the Banks against Long Term Financing and is made up as follows:

	2012 Rupees	2011 Rupees
Balance at beginning of the Year	238,736,690	216,987,436
Add: Disbursement during the Year	153,337,152	52,300,095
	392,073,842	269,287,531
Less: Payments made during the year	101,203,377	30,550,841
Balance at end of the Year	290,870,465	238,736,690

		2012 Rupees	2011 Rupees
7	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE** is made up as follows:		
	Liability Due for the year ended 30th June:		
	2011	-	31,786,424
	2012	31,439,382	33,716,353
	2013	33,237,781	11,920,967
	2014	28,204,738	6,620,350
	2015	22,798,767	2,508,000
	2016	21,841,334	2,508,000
	2017	21,841,334	2,508,000
	2018	21,841,330	2,508,000
	Gross Minimum Lease Payments	181,204,666	94,076,094
	Less: Payments during the Year	31,439,382	31,786,424
		149,765,284	62,289,670
	Less: Future Period:		
	Financial Charges	2,465,700	6,057,219
	Insurance Charges	1,553,569	1,687,917
		4,019,269	7,745,136
	Present Value of Gross Minimum Lease Payments	145,746,015	54,544,534
	Less: Current Portion Shown under Current Liabilities	30,555,377	28,510,507
		115,190,638	26,034,027

The reconciliation between Gross Minimum Lease Payments, future Financial Charges and present value of Minimum Lease Payments is as follows:

	2012 Rupees	2011 Rupees
GROSS MINIMUM LEASE PAYMENTS		
Not later than one Year	33,237,781	33,716,353
Later than one Year but not later than five Years	116,527,503	26,065,317
Later than Five Years	-	2,508,000
	149,765,284	62,289,670
PRESENT VALUE OF MINIMUM LEASE PAYMENTS		
Not later than one Year	30,555,377	5,668,424
Later than one Year but not later than five Years	115,190,638	45,555,188
Later than Five Years	-	3,320,922
	145,746,015	54,544,534

The Company entered into the Finance Lease agreements with various Financial Institutions to acquire Machinery and Motor Vehicles. The implicit Mark-up rate used to discount the minimum lease payments ranges from 14.20% to 22.05% (2011: 16.20% to 21.14%) per annum. These are secured against Title of the Leased Assets and Personal Guarantees of the Directors of the Company. The Company avails the option to purchase the Assets at the end of respective lease terms.

8 DEFERRED LIABILITIES:

		2012 Rupees	2011 Rupees
8.1 These comprise of			
Deferred Taxation	(Note 8.2)	231,310,055	235,241,730
Staff Retirement Benefits	(Note 8.3)	25,658,955	35,980,311
		256,969,010	271,222,041

	2012 Rupees	2011 Rupees
8.2 DEFERRED TAXATION is in respect of the following temporary difference:		
Taxable Temporary Differences		
Accelerated Depreciation	395,325,099	408,203,043
Export Debtors	13,216,063	6,008,935
Deductible Temporary Differences		
Staff Gratuity	(3,101,775)	(4,486,199)
Unused Tax Losses	(107,219,178)	(138,876,173)
Turnover Tax	(97,660,392)	(49,820,831)
Lease Liability	30,750,238	14,212,955
	231,310,055	235,241,730
8.3 STAFF RETIREMENT BENEFITS represent Gratuity and is made up as follows:		
Balance at beginning of the Year	35,980,311	29,145,150
Expense for the Year	16,787,326	25,266,617
Payments made during the Year	(27,108,682)	(18,431,456)
Present Value of Defined Benefit Obligation	25,658,955	235,980,311
CHARGE FOR THE YEAR in respect of this benefit comprises of:		
Current Service Cost	11,777,240	11,354,302
Interest Cost	4,317,637	2,979,426
Actuarial Losses Recognized	692,449	10,932,889
	16,787,326	25,266,617
ALLOCATION OF CHARGE FOR THE YEAR is as follows:		
Cost of Goods Manufactured	13,003,641	20,065,444
Administrative Expenses	3,783,685	5,201,173
	16,787,326	25,266,617

Historical information is as follows:

	2012	2011	2010	2009	2008
Charge for Gratuity	16,787,326	25,266,617	18,247,456	18,492,569	13,393,503

	2012 Rupees	2011 Rupees
RECONCILIATION of the amount recognized in Balance Sheet is as follows:		
Present value of defined benefit obligation	25,658,955	20,730,821
Unrecognized past service cost	-	15,249,490
Liability in Balance Sheet	25,658,955	35,980,311
MOVEMENT IN PRESENT VALUE of Defined benefit Obligation		
Defined Benefit Obligation at the beginning of the Year	35,980,311	24,828,549
Current Service Cost	11,777,240	11,354,302
Interest Cost	4,317,637	2,979,426
Actuarial (Gains)/Losses - arise	692,449	15,249,490
Benefit Paid during the Year	(27,108,682)	(18,431,456)
Defined benefit Obligation at the end of the Year	25,658,955	35,980,311

PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation of Gratuity was conducted on 30th June, 2012 in accordance with IAS 19

"Employees Benefits" by using Projected Unit Credit Method. Following significant assumptions, were used for the actuarial valuation:

	2012 Rupees	2011 Rupees
PRINCIPAL ACTUARIAL ASSUMPTIONS		
Discount Rate	13%	12%
Expected Rate of Salary Increase	12%	11%
Average Expected Remaining Working Life of Employees	6 Years	6 Years

9 TRADE AND OTHER PAYABLES

9.1 These comprise of:

Creditors		81,753,625	95,585,631
Accrued Liabilities		106,919,753	148,247,861
Advance from Customers		42,276,237	42,605,684
Income Tax Withheld		2,391,690	431,915
Unclaimed Dividend		107,090	107,090
Retention Money		652,726	-
Other Liabilities		36,408,171	72,334,662
Workers' (Profit) Participation Fund	(Note 9.2)	28,210,299	31,989,089
		298,719,591	391,301,932

9.2 **WORKERS' (PROFIT) PARTICIPATION FUND** is made up as follows:

Balance at beginning of the Year	31,989,089	34,335,135
Less: Payments during the Year	31,989,089	34,335,135
Unclaimed Balance	-	-
Add: Allocation for the Year	28,210,299	31,989,089
Balance at end of the Year	28,210,299	31,989,089

10 ACCRUED INTEREST AND MARK-UP relates to:

Long Term Finances	30,305,511	67,410,503
Short Term Borrowings	99,155,245	68,884,163
Lease Finance	4,626,782	-
Workers' (Profit) Participation Fund	2,585,420	1,963,688
	136,672,958	138,258,354

11 SHORT TERM BORROWINGS

11.1 These secured borrowings have been obtained from Commercial Banks and comprise of:

Pre/Post-shipment Advance	(Note 11.2)	2,093,784,456	1,819,800,215
Cash/Running Finances	(Note 11.2)	2,208,257,254	1,086,060,000
Bank Overdraft	(Note 11.3)	5,627,324	-
		4,307,669,034	2,905,860,215

11.2 These facilities have been obtained from various Commercial Banks against credit facilities with sanctioned limits aggregating Rs. 5.900 Billion (2011: Rs. 4.200 Billion), The aggregate facilities are secured by a joint pari passu hypothecation charge on all present and future current assets of the Company including Stock in Trade, Trade Debts, Lien on Export Bills and Personal Guarantees of the Working Directors of the Company. The expiry dates of the facilities ranges from 30th November, 2012 to 31st December, 2012. These facilities carry Mark up rates ranging from 1.80% to 15.02% (2011: 1.95% to 15.41%) per annum.

11.3 This represents the cheques issued in excess of the available balances in Current Accounts of the Banks of the Company, which have not been presented for payment by 30th June, 2012.

		2012 Rupees	2011 Rupees

12 CURRENT PORTION OF LONG TERM LIABILITIES

12.1 These comprise of:

		2012 Rupees	2011 Rupees
Current Portion of Long Term Finances	(Note 12.2)	431,839,522	460,998,233
Current Portion Lease Liabilities	(Note 7)	30,555,377	28,510,507
		462,394,899	489,508,740

12.2 CURRENT PORTION OF LONG TERM FINANCES is made up as follows:

	2012 Rupees	2011 Rupees
Balance at beginning of the Year	460,998,233	397,525,776
Add: Transferred from Long-Term Portion	417,576,014	444,213,310
	878,574,247	841,739,086
Less: Payments made during the Year	446,734,725	380,740,853
Balance at end of the Year	431,839,522	460,998,233

13 CONTINGENCIES AND COMMITMENTS

13.1 CONTINGENCIES

A case of the Company is pending for decision by Honourable Sind High Court, against the imposition of a levy amounting to Rs. 50.644 Million (2011: Rs. 69.288 Million), on imports of the Company, by the Excise and Taxation Officer, which has been recognised in these financial statements.

Letters of Guarantee issued by the Banks on behalf of the Company in favour of:

	2012 Rupees	2011 Rupees
Sui Northern Gas Pipelines Limited	138,084,700	109,414,700
Excise and Taxation	50,644,299	92,500,000
State Bank of Pakistan	581,395	-
	189,310,394	201,914,700
Turnover Tax available for adjustment against Tax under Normal Law	97,660,392	49,820,831

The Company had filed a petition in the Honourable High Court of Pakistan to contest the Fuel adjustment charges imposed by WAPDA. Court suspended the fuel adjustment charge. In the event of decision of the Honourable court in favour of WAPDA, Company will be liable to pay fuel adjustment charge amounting to Rs. 45,459,080/- (2011: Rs. Nil).

13.2 COMMITMENTS

Outstanding Letters of Credit for:

	2012 Rupees	2011 Rupees
Capital Expenditure	77,233,422	61,410,592
Raw Material	59,736,013	1,516,142,449
	136,969,435	1,577,553,041

14 PROPERTY, PLANT AND EQUIPMENT

14.1 These comprise of:

		2012 Rupees	2011 Rupees
Operating Assets	(Note 14.2)	5,496,794,273	5,489,844,878
Capital Work in Progress	(Note 14.5	9,552,839	2,683,659
		5,506,347,112	5,492,528,537

14.2 Operating assets are made up as follows:

PARTICULARS	COST / REVALUATION: AT BEGINNING OF THE YEAR	ADDITIONS	MERGER ACQUISITION	DELETIONS	REVALUATION SURPLUS /(DEFICIT)	AT END OF THE YEAR	RATE %	DEPRECIATION: TO BEGINNING OF THE YEAR	ON MERGER ACQUISITION	ON DELETIONS	PROVIDED FOR THE YEAR	TO END OF THE YEAR	WRITTEN DOWN AT END OF THE YEAR
					30TH JUNE, 2012								
OWNED ASSETS													
LAND - Freehold													
Cost	97,682,933	-	-	21,943,340	-	75,739,593	-	-	-	-	-	-	75,739,593
Revaluation Surplus	1,021,149,307	-	-	-	-	1,021,149,307	-	-	-	-	-	-	1,021,149,307
	1,118,832,240	-	-	21,943,340	-	1,096,888,900		-	-	-	-	-	1,096,888,900
BUILDINGS - on Freehold Land													
Cost -Factory	389,426,307	6,780,275	-	-	-	396,206,582	5	121,366,049	-	-	13,431,264	134,797,313	261,409,269
Cost -Non Factory	204,217,638	16,499,912	-	-	-	220,717,550	5	63,852,245	-	-	7,296,300	71,148,545	149,569,005
Revaluation Surplus	597,211,780	-	-	-	-	597,211,780	5	79,708,094	-	-	25,875,184	105,583,278	491,628,502
	1,190,855,725	23,280,187	-	-	-	1,214,135,912		264,926,388	-	-	46,602,748	311,529,136	902,606,776
PLANT AND MACHINERY													
Cost	2,764,232,157	91,964,809	-	45,300,895	-	2,810,896,071	5	913,134,584	-	37,987,844	94,687,887	969,834,627	1,841,061,444
Revaluation Surplus	1,118,316,495	-	-	-	(18,521,789)	1,099,794,706	5	285,669,335	-	-	40,706,268	326,375,603	773,419,103
	3,882,548,652	91,964,809	-	45,300,895	(18,521,789)	3,910,690,777		1,198,803,919	-	37,987,844	135,394,155	1,296,210,230	2,614,480,547
POWER HOUSE	480,188,613	16,373,802	-	-	-	496,562,415	5	39,916,530	-	-	22,206,251	62,122,781	434,439,634
WEIGHING BRIDGE AND SCALE	2,325,374	-	-	-	-	2,325,374	10	1,360,477	-	-	96,489	1,456,966	868,408
LABORATORY EQUIPMENT	53,705,091	-	-	-	-	53,705,091	10	28,957,214	-	-	2,474,788	31,432,002	22,273,089
ELECTRIC INSTALLATION	173,473,230	410,000	-	-	-	173,883,230	5	49,760,421	-	-	6,192,474	55,952,895	117,930,335
TARPULINE	739,107	-	-	-	-	739,107	10	427,085	-	-	31,202	458,287	280,820
TUBE WELL	7,993,559	-	-	-	-	7,993,559	10	3,652,651	-	-	434,092	4,086,743	3,906,816
FURNITURE AND FIXTURE	24,941,054	6,775,155	-	-	-	31,716,209	10	12,113,822	-	-	1,619,766	13,733,588	17,982,621
OFFICE EQUIPMENT	16,187,757	312,210	-	-	-	16,499,967	10	8,118,671	-	-	860,366	8,979,037	7,520,930
VEHICLES	76,684,584	4,621,215	-	5,195,463	-	76,110,336	20	35,953,832	-	2,851,310	8,277,020	41,379,542	34,730,794
FIRE FIGHTING EQUIPMENT	6,127,605	-	-	-	-	6,127,605	10	3,072,200	-	-	305,541	3,377,741	2,749,864
TELEPHONE	6,411,941	-	-	-	-	6,411,941	10	2,945,431	-	-	346,651	3,292,082	3,119,859
ARMS AND AMMUNITION	6,130	95,220	-	-	-	101,350	10	5,448	-	-	1,655	7,103	94,247
AIR CONDITIONERS AND REFRIGERATORS	804,414	-	-	-	-	804,414	10	352,051	-	-	45,236	397,287	407,127
TOOLS AND EQUIPMENT	5,206,611	-	-	-	-	5,206,611	10	1,973,646	-	-	323,297	2,296,943	2,909,668
	7,047,031,687	143,832,598	-	72,439,698	(18,521,789)	7,099,902,798		1,652,339,786	-	40,839,154	225,211,731	1,836,712,363	5,263,190,435
LEASED ASSETS													
PLANT AND MACHINERY	100,000,000	144,497,071	-	-	-	244,497,071	10	18,501,743	-	-	7,687,340	26,189,083	218,307,988
POWER HOUSE	2,470,000	-	-	-	-	2,470,000	5	123,500	-	-	117,325	240,825	2,229,175
VEHICLES	12,545,856	6,628,998	-	1,922,904	-	17,251,950	20	1,237,636	-	457,224	3,404,863	4,185,275	13,066,675
	115,015,856	151,126,069	-	1,922,904	-	264,219,021		19,862,879	-	457,224	11,209,528	30,615,183	233,603,838
	7,162,047,543	294,958,667	-	74,362,602	(18,521,789)	7,364,121,819		1,672,202,665	-	41,296,378	236,421,259	1,867,327,546	5,496,794,273
					30TH JUNE, 2011								
OWNED ASSETS													
LAND - Freehold													
Cost	31,751,416	52,704,090	13,227,427	-	-	97,682,933	-	-	-	-	-	-	97,682,933
Revaluation Surplus	1,002,158,584	-	18,990,723	-	-	1,021,149,307	-	-	-	-	-	-	1,021,149,307
	1,033,910,000	52,704,090	32,218,150	-	-	1,118,832,240		-	-	-	-	-	1,118,832,240
BUILDINGS - on Freehold Land													
Cost -Factory	279,541,265	4,914,422	104,970,620	-	-	389,426,307	5	92,661,298	16,281,591	-	12,423,160	121,366,049	268,060,258
Cost -Non Factory	136,354,668	-	67,862,970	-	-	204,217,638	5	48,766,069	8,735,841	-	6,350,335	63,852,245	140,365,393
Revaluation Surplus	439,787,108	-	157,424,672	-	-	597,211,780	5	60,756,567	-	-	18,951,527	79,708,094	517,503,686
	855,683,041	4,914,422	330,258,262	-	-	1,190,855,725		202,183,934	25,017,432	-	37,725,022	264,926,388	925,929,337
PLANT AND MACHINERY													
Cost	2,113,060,600	94,185,607	556,985,950	-	-	2,764,232,157	5	742,635,336	84,254,831	-	86,244,417	913,134,584	1,851,097,573
Revaluation Surplus	1,034,595,448	-	83,721,047	-	-	1,118,316,495	5	246,252,171	-	-	39,417,164	285,669,335	832,647,160
	3,147,656,048	94,185,607	640,706,997	-	-	3,882,548,652		988,887,507	84,254,831	-	125,661,581	1,198,803,919	2,683,744,733
POWER HOUSE	251,398,904	198,418,362	30,371,347	-	-	480,188,613	5	22,034,215	4,717,504	-	13,164,811	39,916,530	440,272,083
WEIGHING BRIDGE AND SCALE	2,302,374	23,000	-	-	-	2,325,374	10	1,254,330	-	-	106,147	1,360,477	964,897
LABORATORY EQUIPMENT	53,355,091	350,000	-	-	-	53,705,091	10	26,236,617	-	-	2,720,597	28,957,214	24,747,877
ELECTRIC INSTALLATION	125,177,579	1,113,550	47,182,101	-	-	173,473,230	5	37,813,210	6,170,469	-	5,776,742	49,760,421	123,712,809
TARPULINE	739,107	-	-	-	-	739,107	10	392,415	-	-	34,670	427,085	312,022
TUBE WELL	5,051,940	-	2,941,619	-	-	7,993,559	10	2,088,580	1,148,171	-	415,900	3,652,651	4,340,908
FURNITURE AND FIXTURE	19,402,453	1,083,873	4,454,728	-	-	24,941,054	10	9,097,216	1,771,041	-	1,245,565	12,113,822	12,827,232
OFFICE EQUIPMENT	12,996,405	598,251	2,551,101	-	-	16,145,757	10	5,578,569	1,660,395	-	878,782	8,117,746	8,028,011
VEHICLES	64,578,567	11,822,357	3,481,323	3,197,663	-	76,684,584	20	27,809,272	2,417,784	2,634,271	8,361,047	35,953,832	40,730,752
FIRE FIGHTING EQUIPMENT	4,081,496	-	2,046,109	-	-	6,127,605	10	1,978,805	800,056	-	293,339	3,072,200	3,055,405
TELEPHONE	6,394,361	59,580	-	-	-	6,453,941	10	2,560,736	-	-	385,620	2,946,356	3,507,585
ARMS AND AMMUNITION	6,130	-	-	-	-	6,130	10	5,372	-	-	76	5,448	682
AIR CONDITIONERS AND REFRIGERATORS	-	-	804,414	-	-	804,414	10	-	319,739	-	32,312	352,051	452,363
TOOLS AND EQUIPMENTS	5,206,611	-	-	-	-	5,206,611	10	1,614,428	-	-	359,218	1,973,646	3,232,965
	5,587,940,107	365,273,092	1,097,016,151	3,197,663	-	7,047,031,687		1,329,535,206	128,277,422	2,634,271	197,161,429	1,652,339,786	5,394,691,901
LEASED ASSETS													
PLANT AND MACHINERY	-	-	100,000,000	-	-	100,000,000	5	-	15,691,458	-	2,810,285	18,501,743	81,498,257
POWER HOUSE	-	2,470,000	-	-	-	2,470,000	5	-	-	-	123,500	123,500	2,346,500
VEHICLES	-	12,545,856	-	-	-	12,545,856	20	-	-	-	1,237,636	1,237,636	11,308,220
	-	15,015,856	100,000,000	-	-	115,015,856		-	15,691,458	-	4,171,421	19,862,879	95,152,977
	5,587,940,107	380,288,948	1,197,016,151	3,197,663	-	7,162,047,543		1,329,535,206	143,968,880	2,634,271	201,332,850	1,672,202,665	5,489,844,878

14.3 DISPOSAL OF OPERATING PROPERTY, PLANT AND EQUIPMENT comprises of:

	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	PROCEEDS	GAIN / (LOSS)	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
			30TH JUNE, 2012				
LAND - Freehold	21,943,340	-	21,943,340	20,000,000	(1,943,340)	Negotiation	Sarwer Majeed S/O Muhammad Bashir, 85-Nayab Sector, New Airport, Lahore Cantt.
PLANT AND MACHINERY							
Ring Frame, Blow Room etc	35,689,936	29,754,191	5,935,745	3,000,000	(2,935,745)	Negotiation	Shibli Textile Traders, Darul Ahsan Town, Fasialabad
Murata No. 7-11 Mach Coner	9,610,959	8,233,653	1,377,306	3,821,410	2,444,104	Negotiation	M/S Taban Ris Sepahan Company, Iran
VEHICLES							
Toyota Corolla MNA-08-4237	1,409,230	889,731	519,499	600,000	80,501	Negotiation	Khuram Aman Farooqi, Old Bahawalpur Road, Hose # 5-S, Gulistan Colony, Multan
Honda CD-70 MNN-10-9511	66,139	19,254	46,885	60,000	13,115	Insurance Claim	FEU Insurance Company (Pvt.) Limited, Ground Floor Rajpot Centre Tareen Road, Multan
Toyota Corolla MNA-07-3422	1,092,480	794,160	298,320	390,000	91,680	Negotiation	Sh. Farooq Enterprises, Bloom Field School Link Bosan Road, Multan
Honda Civic MNA-4428	1,468,104	977,014	491,090	600,000	108,910	Negotiation	Saad Farooq Cotton Ginner, Shahnal Station, Lodhran
Honda Civic MN-11-2122	1,922,904	457,224	1,465,680	1,578,709	113,029	Leased Car Stolan	Meezan Bank Limited, Highcourt Road, Multan
Honda Civic MLG-3000	1,003,800	130,494	873,306	970,000	96,694	Negotiation	Mr. Ashraf S/O Haji Muhammad Yamin, House # 112-C Mumtazabad, Multan
Honda CD-70 MNM-11-4688	66,745	15,871	50,874	60,000	9,126	Insurance Claim	FEU Insurance Company (Pvt.) Limited, Ground Floor Rajpot Centre Tareen Road, Multan
Honda CG-125 MNR-10-6684	88,965	24,786	64,179	80,000	15,821	Insurance Claim	FEU Insurance Company (Pvt.) Limited, Ground Floor Rajpot Centre Tareen Road, Multan
30th June, 2012 (Rupees):	74,362,602	41,296,378	33,066,224	31,160,119	(1,906,105)		
			30TH JUNE, 2011				
Vehicles							
Honda City -MNU - 7980	651,955	625,573	26,382	75,000	48,618	Negotiation	Eagle Motors, Vehari Road, Multan
Honda CD 70 - MNS - 9670	42,100	39,484	2,616	15,500	12,884	Negotiation	Sohail Ahmad S/O Server Ahmad, New Awan Motors, Gujjar Khadda, Multan
Suzuki Alto VXR - MNZ 6789	505,735	439,281	66,454	105,000	38,546	Negotiation	Muhammad Khawar, Khanewal Road, H # 534-4/97, Street # 8, Multan
Suzuki Cultus - MLF - 4065	694,885	524,110	170,775	212,000	41,225	Negotiation	Ch. Muhammad Afzal, House # 1268/5, Lakar Mandi Colony Ali Bhai Wali, Post Office, Multan
Suzuki Mehran - MNX - 8098	328,140	295,720	32,420	75,000	42,580	Negotiation	Muhammad Arif S/O Bashir Ahmad, Ward # 6 Shersha Road, Mohala Khuda Dad Colony, Multan
Suzuki Cultus VXR MLD - 274	585,600	449,998	135,602	190,000	54,398	Negotiation	Muhammad Saleem, House # 230 Qadirpura Road, Multan
SUZUKI MEHRAN MLG - 5802	389,248	260,105	129,143	310,000	180,857	Negotiation	Muhammad Asif S/O Khadim Hussain, H # 1270, Street # 2 Samijaabad, Multan
30th June, 2011 (Rupees):	3,197,663	2,634,271	563,392	982,500	419,108		

14.4 DEPRECIATION ALLOWANCE provided for the Year has been allocated as follows:

		2012 RUPEES	2011 RUPEES
Cost of Goods Manufactured	(Note 30.2)	221,182,062	188,508,446
Administrative Expenses	(Note 32.1)	15,239,197	12,824,404
		236,421,259	201,332,850

		2012 Rupees	2011 Rupees
14.5 CAPITAL WORK IN PROGRESS comprises of			
Factory Buildings		6,249,671	88,471
Non Factory Buildings		269,518	-
Plant and Machinery		9,362	-
Sui Gas Pipeline		3,024,288	2,595,188
		9,552,839	2,683,659

15 <u>INTANGIBLE ASSET</u>

15.1 This represents Cost of Computer Software (ERP System) and is made up as follows:

Balance at beginning of the Year		6,563,677	8,751,569
Less: Amortized during the Year	(Note 15.2)	2,187,892	2,187,892
Balance at the end of the Year		4,375,785	6,563,677

15.2 Amortization charge for the year on intangible assets has been allocated to administrative expenses.

16 <u>LONG TERM INVESTMENTS</u>

16.1 These comprises of:

Investments Held for Sale	(Note 16.2)	11,940,834	12,793,109
Investment Held to Maturity	(Note 16.3)	259,532	259,636
		12,200,366	13,052,745

16.2 INVESTMENT HELD FOR SALE are not intended to be sold in next 12 months and comprise of:

Quoted Companies	**2012**	**2011**		
Fatima Enterprises Limited			6,536,572	6,536,572
No of Ordinary Shares of Rs. 10 each	829,808	829,808		
Per Share Quoted Price at Year End	14.30	15.30		
Mubarak Textile Mills Limited			182,700	182,700
No of Ordinary Shares of Rs. 10 each	66,000	66,000		
Per Share Quoted Price at Year End	1.13	1.00		
Fazal Cloth Mills Limited			-	19,591
No of Ordinary Shares of Rs. 10 each	-	565		
Per Share Quoted Price at Year End	-	54.95		
			6,719,272	6,738,863
Fair Value Adjustment			5,221,562	6,054,246
Fair Value as at 30 June, 2012			11,940,834	12,793,109

16.3 INVESTMENT HELD TO MATURITY

Term Finance Certificates issued by Bank Al-Habib Limited on 7th March, 2007 having Redeemable Value amounting to Rs. 7,736.75 per certificate with maturity date of 7th February, 2015 carrying Mark-up @ 6 month KIBOR + 1.95% (2011: 6 month KIBOR + 1.95%) per annum.

17 <u>LONG TERM LOANS AND ADVANCES</u>

These represent the unsecured amount advanced by the Company to Sui Northern Gas Pipelines Limited, to meet the cost of Gas Pipeline to be laid for supply of Gas to the weaving unit of the Company at Qadir Pur Rawan, Khanewal Road, Multan. This is recoverable in 12 years (including two years grace period) commencing from 28th September, 2007, in 10 equal annual installments. This is subject to a Return @ 1.5% (2011: 1.5%) per annum, receivable annually.

		2012 Rupees	2011 Rupees
18 LONG TERM DEPOSITS AND PREPAYMENTS comprise of.			
18.1 These Comprise of:			
Deposits		21,520,887	12,182,062
Pre-Payments	(Note 18.2)	25,000,000	25,000,000
		46,520,887	37,182,062

18.2 This represents a payment against the manufacturing facilities leased by the Company which is adjustable towards the end of the respective lease terms.

		2012 Rupees	2011 Rupees
19 STORES, SPARES AND LOOSE TOOLS comprise of:			
Stores		54,871,813	38,691,364
Spares		51,809,461	48,226,131
Loose Tools		286,780	326,945
		106,968,054	87,244,440
20 STOCK IN TRADE			
20.1 These are in respect of:			
Raw material		2,696,280,012	1,192,986,142
Work in Process		110,366,445	131,643,095
Finished Goods		343,278,819	485,399,122
		3,149,925,276	1,810,028,359

20.2 The aggregate amount of write-down of inventories to net realizable value recognised during the year amounts to Rs. Nil (2011: Rs. 318.249 million).

		2012 Rupees	2011 Rupees
21 TRADE DEBTORS			
21.1 These are in respect of:			
Export - Secured	(Note 21.2)	1,321,606,273	600,893,487
Local - Unsecured Considered Good	(Note 21.3)	377,691,184	464,044,371
		1,699,297,457	1,064,937,858

21.2 Secured Debtors represent Foreign Bills under collection against Letters of Credit which are secured against Bank Guarantees.

		2012 Rupees	2011 Rupees
21.3 Past Due but un-impaired Debtors Included Therein		4,122,822	4,506,977

These relate to various independent customers from whom there is no recent history of default. The ageing of these debtors is More than 6 Months.

22 LOANS AND ADVANCES

22.1 These are unsecured considered which are considered good by the management and comprise of:

		2012 Rupees	2011 Rupees
Advances to:			
Employees against Salaries	(Note 22.2)	6,312,905	5,654,868
Suppliers of Goods and Services		47,493,661	59,134,663
Immature Letters of Credit	(Note 22.3)	22,849,126	519,078,505
Guarantee Margin		4,917,235	11,041,235
		81,572,927	594,909,271
22.2 Included therein amounts due from Executives		5,377,222	1,722,366

22.3 These comprise of Opening Charges, Bank Charges and Cost of Documents.

			2012 Rupees	2011 Rupees
23 TRADE DEPOSITS AND SHORT TERM PRE-PAYMENTS comprise of:				
Security Deposits			388,526	444,329
Short Term Pre-Payments			257,000	614,634
			645,526	1,058,963

24 ACCRUED INTEREST relates to Interest Recoverable from Sui Gas.

			2012 Rupees	2011 Rupees
25 OTHER RECEIVABLES comprise of:				
Sales Tax			48,941,216	29,652,237
Insurance Claims			212,460	2,050,710
Other			1,303,474	2,655,765
			50,457,150	34,358,712
26 SHORT TERM INVESTMENTS comprise of:				
Held for Sale	**2012**	**2011**		
Bank Islami Pakistan Limited			-	451,350
No of Ordinary Shares of Rs. 10 each	-	31,875		
Per Share Quoted Price at Year End	-	3.40		
Fair Value Adjustment			-	(342,975)
			-	108,375
Held for Trading				
Fauji Cement Limited			451,588	-
No of Ordinary Shares of Rs. 10 each	65,000	-		
Per Share Quoted Price at Year End	5.74	-		
NIB Bank Limited			-	229,100
No of Ordinary Shares of Rs. 10 each	-	10,000		
Per Share Quoted Price at Year End	-	1.51		
Nishat Power Limited			-	168,128
No of Ordinary Shares of Rs. 10 each	-	10,000		
Per Share Quoted Price at Year End	-	15.44		
Fatima Fertilizer Company				
No of Ordinary Shares of Rs. 10 each	-	30,000	-	475,043
Per Share Quoted Price at Year End	-	16.64		
Fair Value Adjustment			(78,488)	(203,571)
			373,100	668,700
Fair Value as at 30th June, 2012			373,100	777,075

27 TAX REFUNDS DUE FROM GOVERNMENT DEPARTMENTS relates to Income Tax.

28 CASH AND BANK BALANCES

		2012 Rupees	2011 Rupees
28.1 These comprise of:			
Cash in Hand		1,640,668	2,937,351
Cash with Banks in:			
Current Accounts		50,358,378	120,416,761
Saving Accounts	(Note 28.2)	418,264	19,693
Deposit Accounts	(Note 28.3)	25,000,000	61,324,000
		75,776,642	181,760,454
		77,417,310	184,697,805

28.2 The rate of Interest/Mark-up on Saving Accounts is @ 6.00% to 7.25% (2011: 7.60% to 11.20%) per annum.

28.3 These represent Term Deposit Receipt (TDRs) and is subject to a Return @ 7.00% 12.50% (2011: 12.00%) per annum.

		2012 Rupees	2011 Rupees
29 SALES comprises of:			
Local Sales:			
Goods		4,618,922,840	4,749,422,750
Waste		154,214,469	229,713,597
Processing income		8,295,156	-
Total Local Sales		4,781,432,465	4,979,136,347
Export Sales:			
Direct Export			
Goods		7,806,908,299	7,682,594,727
Waste		63,946,289	44,920,909
Indirect Export - Goods		1,104,163,638	1,238,650,897
		8,975,018,226	8,966,166,533
Exchange Rate Gain		87,331,089	31,007,092
Export Rebate		1,053	512,346
Total Export Sales		9,062,350,368	8,997,685,971
		13,843,782,833	13,976,822,318
30 COST OF SALES			
30.1 This is made up as follows:			
Finished Goods at beginning of the year		485,399,122	437,956,614
Add: Cost of Goods:			
Manufactured	(Note 30.2)	11,041,523,571	11,905,607,020
Purchased		924,826,783	502,340,388
		11,966,350,354	12,407,947,408
		12,451,749,476	12,845,904,022
Finished Goods at end of the year		343,278,819	485,399,122
		12,108,470,657	12,360,504,900
30.2 COST OF GOODS MANUFACTURED is made up as follows:			
Work in process at beginning of the year		131,643,095	64,621,890
Raw Material Consumed	(Note 30.3)	8,947,640,592	10,161,666,510
Packing Material Consumed		140,386,126	125,189,791
Stores Consumed		259,282,159	237,601,217
Salaries, Wages and Benefits		486,329,872	481,111,025
Power and Fuel		846,217,101	692,729,016
Insurance		21,079,377	20,626,341
Repair and Maintenance		28,547,676	15,571,177
Processing Charges		16,714,511	3,068,528
Manufacturing Hire Charges		48,000,000	42,000,000
Other Manufacturing Expenses		4,867,445	4,556,174
Depreciation	(Note 14.4)	221,182,062	188,508,446
		11,151,890,016	12,037,250,115
Work in Process at end of the Year		110,366,445	(131,643,095)
		11,041,523,571	11,905,607,020

		2012 Rupees	2011 Rupees
30.3 RAW MATERIAL CONSUMED is made up as follows:			
Balance at beginning of the Year		1,192,986,142	1,752,171,035
Add: Purchases including Expenses		10,450,934,462	9,602,481,618
Available for Consumption		11,643,920,604	11,354,652,652
Balance at end of the Year		2,696,280,012	1,192,986,142
		8,947,640,592	10,161,666,510

		2012 Rupees	2011 Rupees
31 DISTRIBUTION COST comprises of:			
Local Freight, Octroi and Other Charges		61,939,883	40,146,646
Sea Freight		73,365,411	60,071,826
Cleaning and Forwarding Expenses		15,166,220	11,637,693
Commission on:			
Export Sales		96,117,819	95,422,434
Local Sales		23,066,568	22,661,845
Insurance		2,462,033	1,106,496
Export Regularity Duty		-	10,086,275
Terminal Handling Charges		-	2,324,560
Bill of Landing Charges		1,906,783	1,115,513
Export Development Surcharge		17,815,816	18,281,592
Quality Claim		3,928,114	5,102,917
Sales Promotion Expenses		4,065,607	5,877,658
Others Expenses		5,361,438	2,030,356
		305,195,692	275,865,811

		2012 Rupees	2011 Rupees
32 ADMINISTRATIVE EXPENSES			
32.1 These comprise of:			
Directors' Remuneration		3,420,000	3,180,000
Staff Salaries and Benefits		111,928,339	89,610,906
Printing and Stationery		702,945	742,627
Communication		6,158,819	5,420,507
Sui Gas and Water Charges		1,320,988	1,268,973
Electricity		2,088,733	1,769,259
Insurance		4,744,459	2,958,920
Travelling and Conveyance		32,004,077	26,752,949
Entertainment		3,880,280	2,962,804
Rent, Rates and Taxes		476,666	418,161
Vehicle Running and Maintenance		7,530,189	5,808,702
Repair and Maintenance		3,573,268	6,009,413
Fees and Subscriptions		2,109,866	419,935
Legal and Professional Charges		1,940,104	2,424,051
Auditors' Remuneration	(Note 32.2)	825,000	625,000
Advertisement and Publicity		574,050	51,700
ISO Expenses		3,353,149	3,371,394
Charity and Donations		4,803,563	6,079,108
Newspapers and Periodicals		110,138	97,668
Amortization of Intangible Asset	(Note 15)	2,187,892	2,187,892
Depreciation	(Note 14.4)	15,239,197	12,824,404
General Expenses		8,027,807	11,021,492
		216,999,529	186,005,865

		2012 Rupees	2011 Rupees
32.2 AUDITORS' REMUNERATION relates to:			
Tariq Ayub, Anwar & Co.,			
Company's Statutory audit		800,000	600,000
Mehboob Sheikh & Co.,			
Workers' (Profit) Participation Fund Audit		25,000	25,000
		825,000	625,000
33 OTHER OPERATING EXPENSES comprises of:			
Loss on Re- Measurement of Investment	(Note 26)	78,488	-
Balances Written Off		462,186	85,350
Loss on Disposal of Fixed Assets		1,906,105	-
Workers' (Profit) Participation Fund		28,210,299	31,989,089
Workers Welfare Fund		10,751,795	12,155,854
		41,408,873	44,230,293
34 OTHER OPERATING INCOME			
34.1 This comprises of:			
Fine Penalties and Claims		56,557	179,089
Profit on Disposal of Fixed Assets		-	419,108
Sale of Salvage		28,241	13,000
Dividend Income		-	240,000
Gain on Sale of Investment	(Note 34.2)	1,696,104	771,684
Interest Income		480,234	604,598
Return on Bank Deposits		262,460	1,138,418
		2,523,596	3,365,897
34.2 GAIN ON INVESTMENTS arises on:			
Re-Measurement		-	1,685
Sale		1,696,104	769,999
		1,696,104	771,684
35 FINANCE COST comprises of:			
Interest / Mark-up on:			
Short Term Borrowings		375,171,582	284,855,757
Long Term Finance		168,699,296	164,930,037
Worker's (Profit) Participation Fund		2,585,420	1,963,688
Lease Finance Charges		18,715,859	1,543,789
Exchange Loss on Foreign Currency Finance		39,628,952	1,629,032
Bank Charges and Commission		44,186,677	63,022,206
		648,987,786	517,944,509
36 TAXATION			
36.1 This relates to:			
Current Year			
Current Taxation		131,255,926	144,838,529
Deferred Taxation		(3,931,675)	(107,302,469)
		127,324,251	37,536,060
Prior Years - Taxation		28,555,225	(17,628,253)
		155,879,476	19,907,807

36.2 In view of available Tax Losses, Current Taxation represents tax levied on Turnover U/S 113 on Local Sale and Final Tax U/S 169 deducted on export (direct/indirect) proceeds realized during the Year.

36.3 Income Tax Assessments of the Company up to Tax Year 2011 have either been Finalized or the Income Tax Returns were filed under self assessment scheme in accordance with the provisions of Income Tax Ordinance, 2001, hence deemed to be assessed as declared.

36.4 Numerical reconciliation between the effective tax and the applicable tax is not given as, in presence of available tax losses, the entire income of the Company is liable to the Presumptive Tax only.

	2012 Rupees	2011 Rupees
37 EARNING PER SHARE (EPS)		
37.1 Basic Earning per Share		
Net Earning for the Year	369,364,416	575,729,030
	NUMBER OF SHARES	
Weighted Average Number of Ordinary Shares outstanding during the Year	18,810,257	18,810,257
	(RUPEES)	
Basic Earning per Share	19.64	30.61

37.2 Diluted Earning per Share

There is no dilution effect on the basic earning per share as the Company has no such commitments.

38 CASH AND CASH EQUIVALENTS comprise of:

	2012 Rupees	2011 Rupees
Cash and Bank Balances	77,417,310	184,697,805
Short Term Finances	(4,307,669,034)	(2,905,860,215)
	(4,230,251,724)	(2,721,162,410)

39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Executive means an employee whose basic salary exceeds Rs. 500,000 (2011: Rs. 500,000) per year. The aggregate amount charged in the account for the year for remuneration, including certain benefits, to the Chief Executive, Director and Executives of the Company is as follows:

	2012 RUPEES		
	Chief Executive	Director	Executive
PARTICULARS			
Managerial Remuneration	654,000	1,656,000	44,306,033
House Rent Allowance	264,000	744,000	-
Utility Allowance	36,000	-	-
Medical Allowance	66,000	-	3,594,786
	1,020,000	2,400,000	47,900,819
NUMBER OF PERSONS	1	1	56

	2011 RUPEES		
	Chief Executive	Director	Executive
PARTICULARS			
Managerial Remuneration	500,000	1,656,000	10,383,675
House Rent Allowance	200,000	744,000	-
Utility Allowance	30,000	-	-
Medical Allowance	50,000	-	1,036,975
	780,000	2,400,000	11,420,650
NUMBER OF PERSONS	1	1	18

In addition to above Chief Executive, Director and certain Executives are provided with Company maintained vehicles.

40 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

40.1 Financial assets and liabilities of the Company are as follows:

Particulars	2012 Rupees						
	Mark-Up Bearing			Non Mark-Up Bearing			Total
	Maturity up to One Year	Maturity after One Year	Sub-Total	Maturity up to One Year	Maturity after One Year	Sub-Total	
Financial Assets							
Long Term Investments	-	-	-	11,940,834	259,532	12,200,366	12,200,366
Long Term Loan	-	45,568,000	45,568,000	-	-	-	45,568,000
Long Term Deposits	-	-	-	-	21,520,887	21,520,887	21,520,887
Trade Debtors	-	-	-	1,699,297,457	-	1,699,297,457	1,699,297,457
Loans and advances	-	-	-	58,723,801	-	58,723,801	58,723,801
Trade Deposits	-	-	-	645,526	-	645,526	645,526
Interest Accrued	-	-	-	351,344	-	351,344	351,344
Short Term Investments	-	-	-	373,100	-	373,100	373,100
Dues with Government Deptt.	-	-	-	48,002,195	-	48,002,195	48,002,195
Other Receivables	-	-	-	50,457,150	-	50,457,150	50,457,150
Cash and Bank Balances	25,418,264	-	25,418,264	51,999,046	-	51,999,046	77,417,310
	25,418,264	45,568,000	70,986,264	1,921,790,453	21,780,419	1,943,570,872	2,014,557,136
Financial Liabilities							
Long Term Financing	431,839,522	760,744,561	1,192,584,083	-	-	-	1,192,584,083
Trade and Other Payables	-	-	-	298,719,591	-	298,719,591	298,719,591
Interest and Mark up accrued	136,672,958	-	136,672,958	-	-	-	136,672,958
Short Term Finances	4,307,669,034	-	4,307,669,034	-	-	-	4,307,669,034
	4,876,181,514	760,744,561	5,636,926,075	298,719,591	-	298,719,591	5,935,645,666
On Balance Sheet Gap	(4,850,763,250)	(715,176,561)	(5,565,939,811)	1,623,070,862	21,780,419	1,644,851,281	(3,921,088,530)

Particulars	2011 Rupees						
	Mark-Up Bearing			Non Mark-Up Bearing			Total
	Maturity up to One Year	Maturity after One Year	Sub-Total	Maturity up to One Year	Maturity after One Year	Sub-Total	
Financial Assets							
Long Term Investments	-	-	-	12,793,109	259,636	13,052,745	13,052,745
Long Term Loan	-	49,440,000	49,440,000	-	-	-	49,440,000
Long Term Deposits	-	-	-	-	12,182,062	12,182,062	12,182,062
Trade Debtors	-	-	-	1,064,937,858	-	1,064,937,858	1,064,937,858
Loans and advances	-	-	-	75,830,766	-	75,830,766	75,830,766
Trade Deposits	-	-	-	1,058,963	-	1,058,963	1,058,963
Interest Accrued	-	-	-	393,830	-	393,830	393,830
Short Term Investments	-	-	-	777,075	-	777,075	777,075
Dues with Government Deptt.	-	-	-	56,921,876	-	56,921,876	56,921,876
Other Receivables	-	-	-	34,358,712	-	34,358,712	34,358,712
Cash and Bank Balances	61,343,693	-	61,343,693	123,354,112	-	123,354,112	184,697,805
	61,343,693	49,440,000	110,783,693	1,370,426,301	12,441,698	1,382,867,999	1,493,651,692
Financial Liabilities							
Long Term Financing	460,998,233	1,109,803,277	1,570,801,510	-	-	-	1,570,801,510
Trade and Other Payables	-	-	-	391,301,932	-	391,301,932	391,301,932
Interest and Mark up accrued	138,258,354	-	138,258,354	-	-	-	138,258,354
Short Term Finances	2,905,860,215	-	2,905,860,215	-	-	-	2,905,860,215
	3,505,116,802	1,109,803,277	4,614,920,079	391,301,932	-	391,301,932	5,006,222,011
On Balance Sheet Gap	(3,443,773,109)	(1,060,363,277)	(4,504,136,386)	979,124,369	12,441,698	991,566,067	(3,512,570,319)

40.2 FINANCIAL RISK FACTORS

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

Risk management is carried out by Board of Directors of the Company. 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 and liquidity risk.

a) Market Risk

i) Currency Risk

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

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

	2012 USD	2011 USD	2012 Rupees	2011 Rupees
Trade Debts	11,166,421	7,114,360	1,321,606,273	600,893,487
Advances from Customers	(107,543)	(94,603)	(9,411,787)	(8,351,025)
Net Exposure	11,058,879	7,019,757	1,312,194,486	592,542,462

The following significant exchange rates have been applied:

	Average Rate		Reporting Rate	
	2012	2011	2012	2011
USD to PKR	102.94	86.37	94.30	85.05

Sensitivity Analysis:

At reporting date, if the PKR had strengthened by 10% (2011: 10%) against the foreign currencies with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign debtors and outstanding letter of credits.

Effect on Profit and Loss		
Trade Debts	132,160,627	60,089,349
Trade and Other Payables	(941,179)	(835,103)
Short Term Borrowings as FE-25, Export Loan	(209,378,446)	(181,980,022)
Accrued Markup on FE 25, Export Loans	(2,484,623)	(2,285,063)
Net Exposure	(80,643,620)	(125,010,839)

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the post tax profit.

The sensitivity analysis prepared is not necessarily indicative of the effects on Profit / (Loss) for the year and assets / liabilities of the Company.

ii) Price Risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), Other price risk arises from the Company's investment in ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Company actively monitors the key factors that affect stock price movement.

	2012	2011
Reporting date all index points	9708	8663

		Changes in KSE all Index	Effects on Profit Before Tax	Effects on Other Comprehensive Income
		------------------ (Rupees) ------------------		
Available-for-sale investments				
	2012	+10%	-	1,194,083
		-10%	-	(1,194,083)
	2011	+10%	-	1,290,148
		-10%	-	(1,290,148)
Held for trading investments				
	2012	+10%	37,310	-
		-10%	(37,310)	-
	2011	+10%	66,870	-
		-10%	(66,870)	-

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 significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, short term borrowings and liabilities against assets subject to finance lease. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained 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:

	Effective Percentage		Carrying Amount	
Financial Liabilities	2012	2011	2012	2011
Fixed Rate Instruments				
Long Term Financing	7.00 - 12.70	7.00 - 12.70	496,055,545	508,305,445
Variable Rate Instruments				
Long Term Financing	10.40 - 16.77	10.40 - 16.59	696,528,538	1,062,496,065
Short Term Borrowings	1.80 - 15.02	1.95 - 15.41	4,307,669,034	2,905,860,215

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

'The following analysis demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

		Changes in Interest Rate	Effect on Profit Before Tax (Rupees)
Bank balances - deposit accounts			
	2012	+1.50	381,273.96
		-1.50	(381,273.96)
	2011	+1.50	920,155
		-1.50	(920,155)
Long term financing			
	2012	+2.00	(13,930,571)
		-2.00	13,930,571
	2011	+2.00	(21,249,291)
		-2.00	21,249,291
Liabilities against assets subject to finance lease			
	2012	+2.00	(2,914,920)
		-2.00	2,914,920
	2011	+2.00	(1,090,891)
		-2.00	1,090,891
Short term borrowings			
	2012	+2.00	(86,153,381)
		-2.00	86,153,381
	2011	+2.00	(58,117,204)
		-2.00	58,117,204

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:

	2012 Rupees	2011 Rupees
Investments	12,573,466	13,829,820
Loans and Advances	11,230,140	16,696,103
Deposits	21,909,413	12,626,391
Trade Debts	1,699,297,457	1,064,937,858
Other Receivables	1,303,474	2,655,765
Bank Balances	75,776,642	181,760,454
	1,822,090,592	1,292,506,391

Credit risk related to trade debts is managed by established procedures and controls relating to customers credit risk management. Outstanding receivables are regularly monitored and shipments to foreign customers are covered by letters of credit.

The maximum credit risk exposure at reporting date is carrying value of financial assets stated above.

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

	Rating			2012	2011
	Short Term	Long Term	Agency	Rupees	Rupees
Al-Baraka Islamic Bank	A-1	A	JCR-VIS	17,302	4,900,500
Allied Bank Ltd.	A1+	AA+	PACRA	20,428	69,750
Askari Commercial Bank Ltd.	A1+	AA	PACRA	10,842,504	69,219,921
Bank Al-Habib Limited	A1+	AA+	PACRA	41,990	109,039
Bank Alflah Limited	A1+	AA	PACRA	339,074	50,595
Bank Islami Pakistan Ltd	A1	A	PACRA	381,089	345,345
Bank of Khyer	A-2	A	JCR-VIS	20,079,797	46,611
Faysal Bank Limited	A1+	AA	PACRA	118,844	360,222
Habib Bank Limited	A-1+	AA+	JCR-VIS	422,590	5,387,720
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	6,200,127	1,228,938
KASB Bank Limited	A3	BBB	PACRA	61,267	61,267
MCB Bank Limited	A1+	AA+	PACRA	55,478	374,603
Meezan Bank Limited	A-1+	AA-	JCR-VIS	657,708	274,028
National Bank of Pakistan	A-1+	AAA	JCR-VIS	10,879,045	20,217,966
NIB Bank Limited	A1+	AA-	PACRA	16,871	6,906
Silk Bank Limited	A-2	A-	JCR-VIS	-	31,890
Soneri Bank Limited	A1+	AA-	PACRA	25,024,190	78,833,118
Standard Chartered Bank	A1+	AAA	PACRA	374,059	178,655
The Bank of Punjab	A1+	AA-	PACRA	223,029	63,380
United Bank Ltd.	A-1+	AA+	JCR-VIS	21,250	-
				75,776,642	181,760,454

Due to Company's long outstanding business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties 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 founding through an adequate amount of committed credit facilities. At 30 June 2012, the Company had Rs.10,532 (2011: Rs. 8,158) Million available borrowings limits from financial institutions and Rs. 77,417,310/- (2011: Rs. 184,697,805/-) cash and bank balances. Further, the Company has a positive working capital position at the year end and management believes the liquidity risk too low. Following are the maturities of financial liabilities. The amount disclosed in the table are undiscounted cash flows:

Financial Liabilities Maturities as at 30th June, 2012:

	Carrying Amount	6 Month or Less	6-12 Month	1-2 Years	More than 2 Years
	---------------------Rupees---------------------				
Long Term Financing	1,192,584,083	382,441,924	204,843,670	326,033,510	279,264,979
Trade and Other Payables	298,719,591	218,977,600	79,741,991	-	-
Short Term Borrowings	4,307,669,034	2,584,601,420	1,723,067,614	-	-

Financial Liabilities Maturities as at 30th June, 2011:

	Carrying Amount	6 Month or Less	6-12 Month	1-2 Years	More than 2 Years
	---------------------Rupees---------------------				
Long Term Financing	1,570,801,510	340,935,275	242,028,000	416,760,000	571,078,235
Trade and other Payables	316,275,244	177,587,600	138,687,644	-	-
Short Term Borrowings	2,905,860,215	1,430,506,472	1,475,353,743	-	-

40.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.

Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.

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

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

During the reporting year ended 30th June 2012 and 2011, there were no interlevel transfers and at the year end the Company held the following financial instruments carried at fair value, which all fall under level 1:

	2012 Rupees	2011 Rupees
Assets measured at fair value		
Held for trading	373,100	668,700
Equity shares		
Available-for-sale financial assets		
Equity shares	11,940,834	12,901,484
	12,313,934	13,570,184

There were no liabilities measured at fair value as at 30 June 2012.

40.4 FINANCIAL INSTRUMENTS BY CATEGORIES

As at 30th June 2012

Assets as per Balance Sheet

	Cash and Cash Equivalents	Loans and Advances	Fair Value through Profit and Loss	Available for Sale	Held to Maturity
			--Rupees--		
Investments	-	-	373,100	11,940,834	259,532
Loans and Advances	-	11,230,140	-	-	-
Deposits	-	21,909,413	-	-	-
Trade Debts	-	1,699,297,457	-	-	-
Other Receivables	-	1,303,474	-	-	-
Cash and Bank Balances	77,417,310	-	-	-	-
	77,417,310	1,733,740,484	373,100	11,940,834	259,532

Liabilities as per Balance Sheet

	Financial Liabilities at Amortized Cost
	Rupees
Long Term Financing	1,483,454,548
Accrued Mark-up	136,672,958
Short Term Borrowings	4,307,669,034
Trade and Other Payables	298,719,591
	6,226,516,131

As at 30th June 2011

Assets as per Balance Sheet

	Cash and Cash Equivalents	Loans and Advances	Fair Value through Profit and Loss	Available for Sale	Held to Maturity
			--Rupees--		
Investments	-	-	668,700	12,901,484	259,636
Loans and Advances	-	16,696,103	-	-	-
Deposits	-	12,626,391	-	-	-
Trade Debts	-	1,064,937,858	-	-	-
Other Receivables	-	2,655,765	-	-	-
Cash and Bank Balances	184,697,805	-	-	-	-
	184,697,805	1,096,916,117	668,700	12,901,484	259,636

Liabilities as per Balance Sheet

	Financial Liabilities at Amortized Cost
	Rupees
Long Term Financing	1,822,138,200
Accrued Mark-up	138,258,354
Short Term Borrowings	2,905,860,215
Trade and Other Payables	316,275,244
	5,182,532,013

40.5 CAPITAL RISK MANAGEMENT

The Company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In orders to maintain or adjust the capital structure, the Company may adjust the amount through return capital to shareholders through repurchase of shares, right issue, issue new shares, obtain loan from sponsors or sell assets to reduce debt.

Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. The ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred to in Note 6 and 11 respectively. The capital employed includes 'Total Equity' as shown in the balance sheet plus 'External Borrowings' and 'Loan from Directors and Sponsors'.

	2012 Rupees	2011 Rupees
The gearing ratio of the Company as on the balance sheet date was as follows:		
External Borrowings	5,500,253,117	4,476,661,725
Loan from Directors and Sponsors	290,870,465	251,336,690
Total Debt	5,791,123,582	4,727,998,415
Total Equity	2,329,440,586	1,917,781,078
Total Capital Employed	8,120,564,168	6,645,779,493
Gearing Ratio	71.31%	71.14%

41 SEGMENT REPORTING

41.1 REPORTABLE SEGMENTS

The Company's reportable segments are as follows:

- Spinning segment - production of different quality of yarn using natural and artificial fibers
- Weaving segment - production of different quality of gray fabric using yarn.

Information regarding the Company's reportable segments is presented below:

41.2 SEGMENTS REVENUE AND RESULTS

Follows is an analysis of the Company's revenue and results by reportable segments

	Spinning	Weaving	Elimination of Inter Segment Transaction	Total
	---------------------- (Rupees) ----------------------			
For the year ended 30 June 2012				
Sales	10,055,507,844	2,961,474,825	826,800,164	13,843,782,833
Cost of Sales	(8,608,942,051)	(2,672,728,442)	(826,800,164)	(12,108,470,657)
Gross Profit	1,446,565,793	288,746,383	-	1,735,312,176
Allocated Income and Expenses				
Distribution Cost	(249,010,105)	(56,185,587)	-	(305,195,692)
Administrative Expenses	(181,679,077)	(33,028,428)	-	(214,707,505)
Other Operating Income	2,017,062	506,534	-	2,523,596
	(428,672,120)	(88,707,481)	-	(517,379,601)
Profit before tax and unallocated expenses	1,017,893,673	200,038,902	-	1,217,932,575
Unallocated Expenses				
Administrative Expenses				(2,292,024)
Other operating expenses				(41,408,873)
Finance cost				(648,987,786)
Taxation				(155,879,476)
				(848,568,159)
				369,364,416

Profit after Taxation

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3 to the financial statements. Administrative expenses are apportioned on the basis of actual expenses incurred for the segments. Finance cost relating to long term loan is also allocated on the basis of purpose of loan for which it is obtained. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

41.3 GROSS REVENUE FROM MAJOR PRODUCTS AND SERVICES

	2012 Rupees	2011 Rupees
Yarn Export Sale	7,696,107,306	7,181,120,482
Fabric Export Sale	1,157,160,602	1,476,720,595
Waste Export Sale	63,946,289	44,920,909
Yarn Local Sale	3,578,189,506	3,562,141,462
Fabric Local Sale	1,040,733,334	1,187,281,288
Waste Local Sale	154,214,469	229,713,597
	13,690,351,506	13,681,898,333

	2012 Rupees	2011 Rupees

41.4 GEOGRAPHICAL INFORMATION

(a) The Company's gross revenue percentage from external customers by geographical location is detailed below:

	2012	2011
Domestic	42.89	45.45
Asia	51.65	48.83
Europe	5.00	4.51
Australia	0.01	0.00
America	0.45	1.18
Africa	0.00	0.03
	100.00	100.00

(b) All non-current assets of the Company as at 30 June 2012 are located and operating in Pakistan

41.5 SEGMENT ASSETS AND LIABILITIES

(a) Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

For the year ended 30 June 2012	Spinning	Weaving	Total
	------------------ Rupees ------------------		
Total assets for reportable segments	8,911,388,064	1,720,219,562	10,631,607,626
Unallocated assets:			
Other Receivables			50,457,150
Cash and bank balances			77,417,310
Other Corporate assets			70,540,403
Total assets as per consolidated balance sheet			10,830,022,489
Total liabilities for reportable segments	9,161,546,798	1,673,735,270	10,835,282,068
Unallocated liabilities:			
Other Corporate liabilities			(5,259,579)
Total liabilities as per consolidated balance sheet			10,830,022,489

(b) For the purpose of monitoring segment performance and allocating resources between segment operating property, plant and equipment is allocated to reportable segments and all other assets are held under unallocated corporate assets; and

long term loan is allocated to reportable segment and all other liabilities (i.e.) surplus on revaluation of fixed assets, deferred liabilities, trade and other payables, short term borrowings and accrued mark up are held under allocated corporate liabilities.

42 PLANT CAPACITY AND ACTUAL PRODUCTION

	2012 Rupees	2011 Rupees
Spinning - Ring Section		
Owned Capacity		
Number of Spindles Installed	76,440	76,440
Number of Spindle Shifts Worked	3	3
Installed Capacity at 20/S Count (Kgs.) 365 Days	28,000,763	28,000,763
Actual Production of All Counts (Kgs.)	31,198,628	29,745,238
Actual Production Converted into 20/S Count (Kgs.)	21,189,887	24,079,305

	2012 Rupees	2011 Rupees
Leased Capacity		
Number of Spindles Installed	17,280	17,280
Number of Spindle Shifts Worked	3	2
Capacity at 20/S Count (Kgs.) 365 Days	6,329,843	3,138,908
Actual Production of All Counts (Kgs.)	4,255,947	46,086
Actual Production Converted into 20/S Count. (Kgs.)	1,920,931	46,170
Spinning - Rotors Section		
Number of Rotors Installed	Sold	2,000
Number of Rotors Shifts Worked	3	3
Installed Capacity at 20/S Count (Kgs.) 274 Days	549,967	732,621
Actual Production of All Counts (Kgs.)	498,105	1,201,133
Actual Production Converted into 20/S Count (Kgs.)	166,006	414,473
Weaving Section		
Owned Capacity		
Number of Looms Installed	130	130
Number of Looms Shifts Worked	3	3
Capacity at 50 picks/inch (Meters) - 365 days	31,287,622	32,409,330
Actual Production of All picks/inch	20,058,846	19,049,447
Actual Production Converted into 50 picks/inch	25,912,353	26,295,716
Leased Capacity		
Number of Looms Installed	80	80
Number of Looms Worked	None	None
Capacity at 50 picks/inch (Meters) - 365 days	17,466,585	9,972,102
Actual Production	-	-

It is difficult to describe precisely the production capacity in Spinning/Weaving Mills since it fluctuates widely depend on various factors such as count of yarn spun, spindles speed, twist and raw materials used, etc. It also varies according to the pattern of production adopted in a particular Year. The reason for under utilization of available capacity is attributable to normal Repair and Maintenance, Power failures and count changes.

43 DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements were authorized for issue by the Board of Directors of the Company on 4th October, 2012.

Lahore:
4th October, 2012

sd/-
(Hussain Ahmad Fazal)
Director

sd/-
( )
Chief Executive