

CONTENTS

Vision and Mission Statements.....	2
Company Information.....	3
Notice of Annual General Meeting.....	4
Directors' Report.....	5-7
Key Operating and Financial Data.....	8
Statement of Compliance with the Code of Corporate Governance	9-10
Auditor's Review Report on Code of Corporate Governance.....	11
Auditor's Report to the Members.....	12
Balance Sheet.....	13
Profit and Loss Account.....	14
Statement of Comprehensive Income.....	15
Cash Flow Statement.....	16
Statement of Changes in Equity.....	17
Notes to the Financial Statements	18-39
Pattern of Share Holding.....	40

NADEEM TEXTILE MILLS LIMITED

Vision Statement

To be a dynamic, profitable and growth oriented Company.

Mission Statement

The mission of the Company is to prudently utilize the human resources and plant and machinery in order to achieve high levels of sustainable growth by:

- offering high class products and services to all our customers.
- continuously upgrading the latest production facilities to achieve higher levels of operational efficiency.
- nurturing a work culture that generates creativity, enthusiasm, professionalism and teamwork.
- maintaining the highest standards of ethics, safety and environment.
- contributing towards the economic development of the country.

COMPANY INFORMATION

BOARD OF DIRECTORS	:	MR. ZAHID MAZHAR (Chief Executive / Chairman) MR. OMER BIN ZAHID MR. HASSAN BIN ZAHID MST. RAFIA SULTANA MST. NAILA ZAHID MISS. SARAH ZAHID MR. MEHMOOD SIDDIQI
AUDITORS	:	M/S. RAHMAN SARFARAZ RAHIM IQBAL RAFIQ CHARTERED ACCOUNTANTS
LEGAL ADVISOR	:	MR. ABDUL GHANI KHAN (ADVOCATE)
AUDIT COMMITTEE	:	MRS. NAILA ZAHID (MEMBER / CHAIRPERSON) MR. OMER BIN ZAHID (MEMBER) MST. RAFIA SULTANA (MEMBER)
H. R. AND REMUNERATION COMMITTEE	:	MR. OMER BIN ZAHID (CHAIRMAN) MR. ZAHID MAZHAR (MEMBER) MRS. NAILA ZAHID (MEMBER)
CHIEF FINANCIAL OFFICER	:	MR. OMER BIN ZAHID (M.B.A.)
BANKERS	:	ALLIED BANK LIMITED SONERI BANK LIMITED J.S. BANK LIMITED BANK AL-FALAH LIMITED CITI BANK ASKARI BANK LIMITED
REGISTERED OFFICE	:	201-202, COMMERCE CENTRE, HASRAT MOHANI ROAD, KARACHI - PAKISTAN. PHONE : (021) 32635807 - 32635809 FAX : (92-21) 32637896 - 32632712
SHARE REGISTRAR	:	M/S HAMEED MAJEED ASSOCIATES (PVT.) LTD. 5TH FLOOR, KARACHI CHAMBERS, HASRAT MOHANI ROAD, KARACHI. PHONE : 32424826-32412754 FAX : 32424835 E-MAIL : majeed@hmaconsultants.com
HEAD OFFICE	:	A 801-804, LAKSON SQUARE BUILDING No. 3, SARWAR SHAHEED ROAD, KARACHI - PAKISTAN. PHONE : (021) 35220481-8 FAX : (92-21) 35220495-6
MILLS	:	A-265, S.I.T.E., NOORIABAD, DISTRICT DADU, SINDH.
URL	:	www.nadeem.com.pk

NADEEM TEXTILE MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 26th Annual General Meeting of **Nadeem Textile Mills Ltd.** will be held on October 19, 2012 at 9:00 a.m. at Hotel Crown Inn Plot No. 171. off 21 AM, Frere Road, Saddar, Karachi, to transact the following business:

1. To confirm the Minutes of the 25th Annual General Meeting of the Company held on 20th October, 2011.
2. To receive, consider, and adopt the audited financial statements of the company for the year ended 30th June, 2012 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2013.
4. To transact any other ordinary business as may be placed before the meeting with the permission of the Chair.

Karachi:
September 20, 2012

By order of the Board
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from October 13, 2012 to October 19, 2012 (both days inclusive). Transfers received before the closure of shares transfer books (i.e 12-10-2012) at the office of share Registrar, M/s Hameed Majeed Associates (Pvt.) Ltd. Karachi Chamber, Hasrat Mohani Road, Karachi by 12-10-2012 will be treated in time for the entitlement to attend the Annual General Meeting.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him. A proxy must be a member of the Company.
3. The instrument appointing a proxy, in order to be valid must be received at the Head Office of the Company at A -801-804, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi, not less than forty-eight (48) hours before the time fixed for the meeting.
4. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her participant ID number and account/sub account number along-with Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting to prove his/her identity.
5. Members are requested to immediately inform of any change in their addresses to our Share Registrar, M/S Hameed Majeed Associates (Pvt.) Ltd., 5th floor, Karachi Chambers, Hasrat Mohani Road, Karachi.

NADEEM TEXTILE MILLS LIMITED

DIRECTORS' REPORT TO THE SHARE HOLDERS

Dear Shareholders,

The Directors of your Company take this opportunity to present the 26th Annual Report of the Company together with audited accounts and Auditor's Report thereon for the year ended June 30, 2012.

SUMMARY OF FINANCIAL RESULTS

Following is the brief highlights of the financial results of the company for the year ended June 30, 2012.

	Rupees in million	% of Sales
Sales	3,316.50	100.00%
Gross profit	256.47	7.73%
Profit / (Loss) before tax	53.30	1.61%
Profit / (Loss) after tax	5.27	0.16%
EPS (in Rupees)		0.44

The gross turnover stood at Rs. 3,316.50 million with a gross profit margin of 7.74%.

BREAK-UP VALUE AND EARNING PER SHARE

The break-up value of the shares as on June 30, 2012 was Rs. 38.57 as compared to Rs. 38.13 as at June 30, 2011.

OVERVIEW

The Company achieved a turnover of Rs. 3,316 million during the year under review (2011: Rs. 3,668 million). The gross profit during the year is recorded at Rs. 256.46 million as compared to 230.17 million of the last year. Finance costs increased to Rs. 124.96 million (2011: Rs. 116.54 million).

OPERATING PERFORMANCE

The Company achieved the production of 10.06 million Kgs. of spun yarn after conversion into 20/s count as compared to 11.57 million Kgs. of previous year.

FUTURE OUTLOOK

A good cotton crop is expected this year. The substantial increase in size of cotton crop is due to a rise in per acre yield of cotton. Good quality of cotton is available at the start of current cotton season. The management of the Company is hopeful for good results for the current financial year.

Pakistan's economy is losing its share in the global market mainly because of epidemic corruption and poor governance. Weak economic policies, inadequate physical and human infrastructure, bleeding public sector enterprises etc. have inflated the cost of doing business.

The Management of your Company would like to assure you that all efforts will be made to achieve good results in the coming year.

EXPANSION AND MODERNIZATION

The Management of the Company is continuing its BMR program to streamline the production facilities and to improve the quality of its products. Following modernization has been made in various departments:

Multi Drum Filter – in Blow Room Department
26 sets Compact Assembly – in Ring Department

The BMR programme is to be continued in future according to the resources available. It is expected that after the implementation of BMR the Company will be able to increase its productivity with better quality at reduced cost.

DIVIDEND

The Board of Directors has not recommended any dividend due to requirement of funds for BMR.

HUMAN RESOURCE

The Directors gives high priority to the training and development of human resources of the company. The management carefully selects the most suitable candidates and continuously upgrading its manpower through the induction of more qualified staff.

CODE OF CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the period ended June 30, 2012:

- The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984. These Statements present fairly the Company's state of affairs, results of its operations, cash flow, comprehensive income and changes in equity.
- The Company entered in arm length transactions with other members of the group. These transactions are in compliance with the directives issued by the Security & Exchange Commission of Pakistan (SECP) in this regard.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of Internal Control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The key operating and financial data for the last six years in summarized form is annexed.
- Information about taxes and levies is given in the notes to the accounts.
- All the directors of the company are registered as tax-payer and none of the company's directors is in default of payment of any dues to a banking company, DFI, NBFBI or Stock Exchanges.
- None of the directors of the company is serving on the Board of 7 or more listed companies. The company operates an unfunded gratuity covering all its employees who have completed their qualifying period. Provision is made annually to cover current obligation under the scheme. The company has adopted the revised IAS 19 and as a result thereof actuarial valuation has been carried out as at June 30, 2012

BOARD MEETINGS

During the period under review, six meetings of the Board of Directors were held and following were in attendance:

Name of Directors	No. of Meetings Attended
1- Mr. Zahid Mazhar	6
2- Mr. Omer Bin Zahid	6
3- Mr. Hassan Bin Zahid	-
4- Mst. Rafia Sultana	-
5- Mst. Naila Zahid	6
6- Miss Sarah Zahid	5
7- Mr. Sarwar Shahab	-

ASSOCIATED COMPANIES

Following is the list of associated companies:

- Shadman Cotton Mills Ltd.
- Nadeem Power Generation (Pvt.) Ltd.
- Nadeem International (Pvt.) Ltd.

AUDIT COMMITTEE

The company has established an audit committee as required by the Code of Corporate Governance, which comprises of three members as mentioned in the company information. The audit committee has established an internal audit function to monitor and review the adequacy and implementation of internal control at each level.

AUDITORS

The Auditors of the Company M/S Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants retire at the conclusion of the Annual General Meeting and being eligible, offer themselves for re-appointment as Auditors for the next term.

As suggested by the Audit Committee, The Board recommends their appointment as Auditors of the Company for the year ending June 30, 2013.

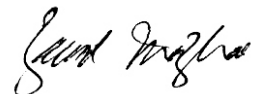
PATTERN OF SHAREHOLDING

The pattern of share holding of the company as at June 30, 2012 is annexed.

ACKNOWLEDGMENT

The Directors of the Company would like to take the opportunity to thank the shareholders, valued clients and bankers for the co-operation extended by them during the course of business activities. The Directors are also pleased to record their appreciation for the continued diligence and devotion of the staff members and workers of the Company.

On behalf of Board of Directors



ZAHID MAZHAR

Chief Executive

Karachi:

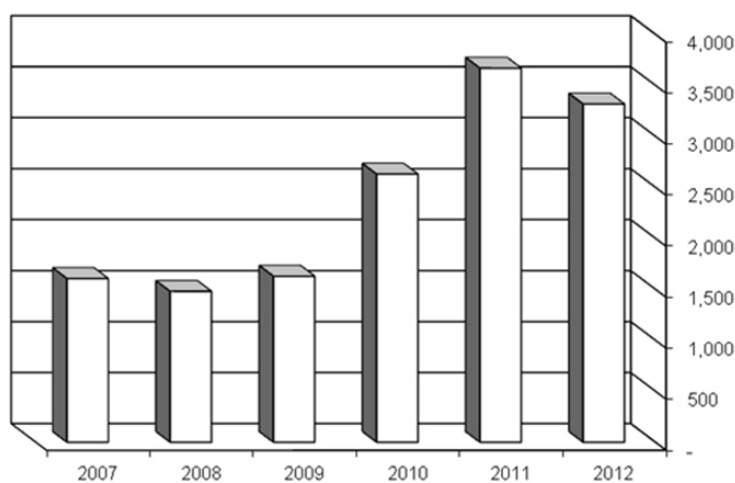
Dated: September 20, 2012

NADEEM TEXTILE MILLS LIMITED

Key Operating & Financial Data For the period from July 2006 To June 2012

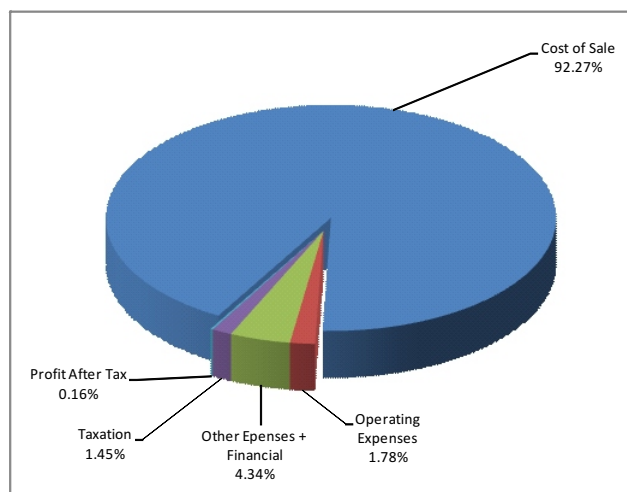
PERIODS	July - June 2011 - 20112	July - June 2010 - 2011	July - June 2009 - 2010	July - June 2008 - 2009	July - June 2007 - 2008	July - June 2006 - 2007
Net Sales Revenue	3,316,501,821	3,668,883,661	2,629,106,636	1,628,484,257	1,479,650,617	1,605,537,256
Cost Of Goods Sold	3,060,033,353	3,438,715,465	2,244,275,417	1,472,228,502	1,383,613,882	1,491,572,827
Gross Profit	256,468,468	230,168,196	384,831,219	156,255,755	96,036,735	113,964,429
Operating Profit	197,398,838	171,647,477	334,604,162	118,257,807	60,129,898	76,281,676
Profit/(Loss) Before Tax	53,302,521	51,632,184	210,993,880	11,035,634	(21,950,288)	1,592,393
Profit/(Loss) After Tax	5,278,478	29,032,097	183,874,536	8,080,715	(24,521,064)	(15,897,912)
Paid Up Capital	120,150,000	120,150,000	120,150,000	120,150,000	120,150,000	120,150,000
Current Assets	720,433,758	710,208,751	727,869,595	451,943,035	600,869,288	369,769,750
Current Liabilities	869,867,050	743,382,928	706,861,195	581,968,435	747,065,476	457,474,600

Year	TURNOVER Sales in (M)
2012	3,317
2011	3,669
2010	2,629
2009	1,628
2008	1,480
2007	1,606



APPLICATION OF REVENUE FOR THE YEAR ENDED JUNE 30, 2012

	RUPEES	%
Cost of Sale	3,060,033,353	92.27%
Operating Expenses	59,069,630	1.78%
Other Expenses + Financial	144,096,317	4.34%
Taxation	48,024,043	1.45%
Profit after Tax	5,278,478	0.16%
TOTAL	3,316,501,821	100%



NADEEM TEXTILE MILLS LIMITED
STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE
YEAR ENDED JUNE 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 37 of Listing Regulations of Karachi Stock Exchange (Guarantee) Ltd. for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Board comprises seven directors, including the CEO. The Company encourages representation of independent non-executive directors on its Board including those representing minority interests. At present, the Board includes two non executive directors.
2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. Casual Vacancies occurred in the Board on Sep. 17, 2011 was filled by the Directors on Sep. 17, 2011.
5. The Company has prepared a Statement of Ethics and Business Practices which has been signed by all the directors and senior employees of the Company.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided by the Chairman. The Board met atleast once in every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Two of the directors met the criteria of exemption from taking orientation course under the condition of having 14 years of education and 15 years of experience on the Board of Directors of Listed company. The condition of training certification for the other directors will be complied in due course.
10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made during the year.
11. The Directors' Report for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, two of which are non-executive Directors.
16. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, two of which are non-executive Directors.
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code.
The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has setup an effective internal audit function manned by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company. They are involved in the internal audit function on full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim / final results and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. The company has complied with all the major corporate and financial reporting requirements to the code. All related parties transactions has been reviewed and approved by the Board and are carried out as per agreed terms.
23. We confirm that all other material principles contained in the Code have been complied with except for the requirements pertaining to change in composition of Board of Directors or some its committees.

Karachi:

Dated: September 20, 2012



ZAHID MAZHAR

Chief Executive



Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Plot No. 180, Blcok-A, S.M.C.H.S.,
Karachi-74400, PAKISTAN
Tel. No. : (021) 4549345-9
Fax No.: (021) 4548210
E-mail : info@rsrir.com
: rirmri@fascom.com
Website: www.rsrir.com
Other Offices at Lahore - Islamabad

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Nadeem Textile Mills Limited (“the Company”), to comply with the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

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

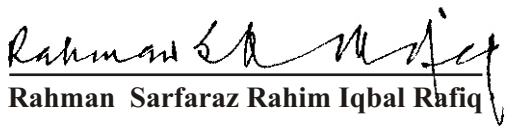
As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Boards statement on internal control covers all risks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

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

Based on our review, except for the matter stated in Note 9 of Statement of Compliance nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012.

Karachi:

Dated: September 20, 2012


Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants



Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.,
Karachi-74400, PAKISTAN
Tel. No. : (021) 4549345-9
Fax No. : (021) 4548210
E-mail : info@rsrir.com
: rirmri@fascom.com
Website: www.rsrir.com
Other Offices at Lahore - Islamabad

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Nadeem Textile Mills Limited ("the Company") as at June 30, 2012 and the related profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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


We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by 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 accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion —
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2012, and of the Profit, Comprehensive Income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980, (XVIII of 1980).

We draw attention to the outcome of pending proceedings being contested by the company as described in note 1.2 to the financial statements. Our opinion is not qualified in respect of this matter.

Karachi:

Dated: September 20, 2012



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Name of Engagement partner: Muhammad Waseem

NADEEM TEXTILE MILLS LIMITED
BALANCE SHEET AS AT JUNE 30, 2012

ASSETS	Note	June 30, 2012	June 30, 2011
NON-CURRENT ASSETS		RUPEES	RUPEES
Property, plant and equipment	4	700,681,475	522,397,792
Long-term deposits	5	7,823,667	7,823,667
CURRENT ASSETS			
Stores, spares and loose tools	6	28,322,610	25,905,827
Stock-in-trade	7	546,892,815	395,270,835
Trade debts	8	105,374,133	256,104,219
Short term investments	9	5,828,051	4,461,566
Loans and advances	10	7,874,307	2,807,688
Trade deposits, prepayments and other receivables	11	17,061,164	19,198,264
Taxes recoverable	12	1,431,851	2,254,554
Cash and bank balances	13	7,648,827	4,205,798
		720,433,758	710,208,751
TOTAL ASSETS		1,428,938,900	1,240,430,210
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	120,150,000	120,150,000
Share Premium		15,575,000	15,575,000
Unappropriated profit		327,714,339	322,435,861
		463,439,339	458,160,861
NON-CURRENT LIABILITIES			
Long-term financing	15	52,002,741	7,500,000
Deferred liabilities	16	43,629,769	31,386,421
CURRENT LIABILITIES			
Trade and other payables	17	135,958,178	138,148,681
Mark-up accrued on financing	18	31,819,711	14,161,942
Short-term borrowings	19	666,216,097	583,982,305
Current portion of long-term financing		35,873,064	7,090,000
		869,867,050	743,382,928
CONTINGENCIES AND COMMITMENTS	20	-	-
TOTAL EQUITY AND LIABILITIES		1,428,938,900	1,240,430,210

The annexed notes from 1 to 40 form an integral part of these financial statements.



Zahid Mazhar
Chief Executive

Karachi:

Dated: September 20, 2012



Omer Bin Zahid
Director

NADEEM TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	June 30, 2012 RUPEES	June 30, 2011 RUPEES
Sales - net	21	3,316,501,821	3,668,883,661
Cost of sales	22	<u>(3,060,033,353)</u>	<u>(3,438,715,465)</u>
Gross profit		256,468,468	230,168,196
Administrative expenses	23	<u>(37,705,163)</u>	<u>(32,487,799)</u>
Distribution costs	24	<u>(21,364,467)</u>	<u>(26,032,920)</u>
		(59,069,630)	(58,520,719)
		197,398,838	171,647,477
Other operating income / (loss)	25	<u>1,457,442</u>	<u>3,133,991</u>
Other charges	26	<u>(20,594,219)</u>	<u>(6,610,910)</u>
Finance cost	27	<u>(124,959,540)</u>	<u>(116,538,374)</u>
		(144,096,317)	(120,015,293)
Profit before taxation		53,302,521	51,632,184
Taxation			
- Current	28	<u>(35,120,359)</u>	<u>(37,373,288)</u>
- Prior		<u>(1,762,519)</u>	<u>5,181,476</u>
- Deffered		<u>(11,141,164)</u>	<u>9,591,725</u>
		(48,024,043)	(22,600,087)
Profit / (Loss) after taxation		5,278,478	29,032,097
Earnings per share - basic and diluted	29	0.44	2.42

The annexed notes from 1 to 40 form an integral part of these financial statements.



Zahid Mazhar
Chief Executive

Karachi:

Dated: September 20, 2012



Omer Bin Zahid
Director

NADEEM TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	RUPEES	RUPEES
Profit after taxation	5,278,478	29,032,097
Other comprehensive income	-	-
Total comprehensive income for the year transferred to equity	<u>5,278,478</u>	<u>29,032,097</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



Zahid Mazhar
Chief Executive

Karachi:

Dated: September 20, 2012




Omer Bin Zahid
Director

NADEEM TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	June 30, 2012 RUPEES	June 30, 2011 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	234,932,314	208,777,532
Taxes paid		(36,119,267)	(35,154,972)
Gratuity paid	16.1	(8,039,480)	(4,320,982)
Finance cost paid		(107,020,933)	(117,602,849)
Workers welfare fund paid		-	(4,298,743)
Workers' profit participation fund paid		(3,121,315)	(12,727,610)
Net cash generated from operating activities		80,631,319	34,672,376
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(231,051,228)	(83,815,344)
Proceeds from disposal of property, plant and equipment	4.2	1,042,000	500,000
Disposal / (acquisition) of investments - net		(1,153,181)	12,497,919
Long term deposits		-	(2,792,720)
Net cash (used in) / generated from investing activities		(231,162,409)	(73,610,145)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance acquired during the year		158,325,630	-
Dividend paid during the year		(1,545,480)	(19,941,302)
Repayments of long term finance		(85,039,823)	(15,763,704)
Net cash used in financing activities		71,740,327	(35,705,006)
Net (decrease) / increase in cash and cash equivalents		(78,790,763)	(74,642,775)
Cash and cash equivalents at beginning of the year		(579,776,507)	(505,133,732)
Cash and cash equivalents at the end of the year	30	(658,567,270)	(579,776,507)

The annexed notes from 1 to 40 form an integral part of these financial statements.



Zahid Mazhar
Chief Executive

Karachi:

Dated: September 20, 2012



Omer Bin Zahid
Director

NADEEM TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	ISSUED, SUBSCRIBED & PAID UP CAPITAL	SHARE PREMIUM	UNAPPRO- PRIATED PROFIT	OTHER COMP. INCOME	TOTAL
	← RUPEES →				
Balance as at June 30, 2010	120,150,000	15,575,000	317,433,764	-	453,158,764
Comprehensive income for the year	-	-	29,032,097	-	29,032,097
Final cash dividend for the year ended June 30, 2010 @ Rs. 2 per share	-	-	(24,030,000)	-	(24,030,000)
Balance as at June 30, 2011	120,150,000	15,575,000	322,435,861	-	458,160,861
Comprehensive income for the year	-	-	5,278,478	-	5,278,478
Balance as at June 30, 2012	120,150,000	15,575,000	327,714,339	-	463,439,339

The annexed notes from 1 to 40 form an integral part of these financial statements.



Zahid Mazhar
Chief Executive

Karachi:

Dated: September 20, 2012



Omer Bin Zahid
Director

NADEEM TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1 THE COMPANY AND ITS OPERATIONS

1.1 The Company was incorporated in Pakistan as a public limited company on July 15, 1984 and is quoted on the Karachi Stock Exchange. The registered office of the Company is situated at 201-202, Commerce Centre, Hasrat Mohani Road, Karachi. The main business of the Company is manufacture and sale of yarn.

1.2 Subsequent to the balance sheet date on August 06, 2012 some of the shareholders of the company have filed petition in the High Court of Sindh against the company and its board of directors for winding up of the company by the Court under section 305 of the Companies Ordinance 1984. The matter was fixed for hearing on September 04, 2012 but adjourned without fixing any date.

The Company is contesting the matter and in the opinion of the legal counsel of the company it has a good case on merit and there is no likelihood of any unfavourable outcome.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

2.2.1 Basis of measurement

These financial statements have been prepared under the 'historical cost' convention, except for measurement of short term investments at fair value and certain staff retirement benefits which have been measured at present value on the basis of actuarial valuation taking into account demographic variables.

2.2.2 Functional and Presentation Currency

These financial statements have been presented in Pakistan Rupee which is the Company's functional currency.

2.2.3 Significant Estimates

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates and assumptions with a significant risk of material adjustment in the future periods are included in following notes.

- Provision for Taxation (note 3.17)

- Useful lives and residual values of property and equipment (note 3.1)

2.2.4 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations that are effective in year beginning from July 01, 2011 and are relevant to the Company:

- IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2011. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.

Amendments to "IFRS 7 Financial Instruments" .Applies to annual periods beginning on or after 1 July 2011 The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in (not addressed above). These amendments are unlikely to have any impact on the company's financial statements and therefore have not been analyzed in detail.

b) Standards, amendments to published standards and interpretations that are effective in 2011 but not relevant to the Company

- The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 01, 2011 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations

and therefore have not been analyzed in detail.

- c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Following new standards, amendments and interpretation to existing standards have been issued but are not effective for the financial year beginning July 1, 2011 and have not been early adopted by the Company:

- IAS 1 'Presentation of financial statements' (Amendment) effective for annual periods beginning on or after July 1, 2012.
- IAS 19 Employee benefits (Amendment) effective for periods beginning on or after January 1, 2013.
- IFRS 10, 'Consolidation financial statements', effective for periods beginning on or after January 1, 2013.
- IFRS 12, 'Disclosure of interests in other entities', effective for annual periods beginning on or after January 1, 2013.
- IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after January 1, 2013.
- IAS 27 "Separate Financial Statements" , applicable to annual reporting periods beginning on or after 1 January 2013
- IAS 28 "Investments in Associates and Joint Ventures", applicable to annual reporting periods beginning on or after 1 January 2013,
- IFRS 9 "Financial Instruments", Applies on a modified retrospective basis to annual periods beginning on or after 1 January 2015.
- Amendments in IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities , Applicable to annual periods beginning on or after 1 January 2013 and interim periods within those periods
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32), Applicable to annual periods beginning on or after 1 January 2014:

There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 and May 2010(not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and therefore have not been analyzed in detail.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. Applicable to annual periods beginning on or after 1 January 2013
- IAS 32 Financial Instruments: Presentation - Applicable to annual periods beginning on or after 1 January 2013 ,is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction
- IAS 34 Interim Financial Reporting is amended, Applicable to annual periods beginning on or after 1 January 2013, to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments.
- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12), Applicable to annual periods beginning on or after 1 January 2012 Amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant & equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Cost comprises acquisition and other directly attributable costs. Capital work in progress is stated at cost. Cost of certain property, plant and equipment comprises historical cost, exchange differences, cost of exchange rate fluctuations in respect of foreign currency loans obtained for the acquisition of plant and machinery up to the commencement of commercial production and the cost of borrowings accruing during construction period in respect of loans taken for specific projects.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The capitalisation of the item acquired during the year depends on the nature of the item acquired and the probable future economic benefit flow to the entity.

Subsequent costs are included in the carrying amount as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit and loss account during the year in which they are incurred.

Disposal of assets is recognized when significant risks and rewards incidental to the ownership have been transferred to the buyer. Gains and losses on disposal of items of property, plant and equipment are recognized in profit and loss account.

Depreciation is charged to profit and loss account applying written down value method at the rates specified in the relevant notes, where the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the day in which asset is available for use and on disposals up to the day immediately preceding that of deletion.

The Company reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimate in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge.

3.2 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except borrowing costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as a part of the cost of those assets.

3.3 Impairment of fixed assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. Reversal of impairment losses are recognised in the profit and loss account restricted to the original cost of the asset less any accumulated depreciation chargeable had the asset not been impaired.

3.4 Stores, spares and loose tools

Stores, spares and loose tools are valued at moving average cost except for items in transit, which are stated at cost incurred up to the balance sheet date. For items which are slow moving or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated realizable value. The Company reviews the carrying amounts of stores and spares on a regular basis and provision is made for obsolescence.

Net realizable value represents the estimated selling price less all estimated costs necessary to make the sale.

3.5 Stock in trade

Stock-in-trade is valued at lower of cost and net realizable value. Cost is determined using the weighted average method except for raw material in transit, which is stated at cost. Cost includes applicable purchase cost and manufacturing expenses. The cost of work-in-process includes material and proportionate conversion cost.

Obsolete items are recorded at Nil Value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale.

3.6 Financial instruments

3.6.1 Financial Assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity and loans and receivables. Financial liabilities include trade and other payables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Investments at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedging instruments. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those whose maturities are greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's trade and other receivables comprise 'trade debts', 'loans and advances', 'trade deposits and short term prepayments' and 'other receivables'.

c) Held to maturity

These are investments with fixed or determinable payments and fixed maturity with the having positive intent and ability to hold to maturity. These are measured at amortized cost.

3.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised 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. Investments at fair value through profit or loss are subsequently carried at fair value. Trade and other receivables are recognised and carried at original invoice/cost less an allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

The fair values of quoted equity investments are based on current market prices. Subsequent to initial measurement equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment in value, if any.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within income/ expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payment is established.

3.6.3 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of

financial assets is impaired. If any such evidence exists the cumulative loss is recognised in the profit and loss account.

3.7 Financial Liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently carried at amortized cost using effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

3.8 Offsetting

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

3.9 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. Where the time value of money has a substantial effect due to the time remaining in the due dates for settlement of liabilities, the liabilities are discounted to the present value using effective interest rate.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.10 Trade and other receivables

Trade and other receivables are recognised and carried at original invoice/cost less an allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realization of these receivables, appropriate amount of impairment is made. Trade debts and other receivables considered irrecoverable are written off.

Exchange gains or losses arising in respect of trade and other receivables in foreign currency are added to their respective carrying amounts.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, demand deposits held with bank and highly liquid investments with maturity of less than three months from the date of acquisition. Running finance facilities availed by the Company which are repayable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of the statement of cash flows.

3.12 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All export bills are being presented to the Bank for discounting on Interbank Exchange rates, the difference between exchange rate prevailing at the date of transaction and discount rate is recognised as discounting expense net of against export sale. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. Non-monetary items are translated into Pak rupees at exchange rates prevailing on the date of initial recognition or on the date when fair values are determined.

3.13 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved.

3.14 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the outflow can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.15 Employees' retirement benefits

The company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods, that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method. The Gratuity scheme is unfunded and covers those permanent employees and management staff of the Company who have completed prescribed qualifying period of service. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation. Retirement benefits are payable to staff on completion of prescribed qualifying periods of service under these schemes.

Past service cost arising on amendments in the plan is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortized on the straight line basis over the average period until the amended benefits become vested.

"Actuarial gains and losses are accounted for using the corridor method. Under this method, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the profit or loss in the statement of comprehensive income over the expected average remaining working lives of the employees participating in the plan. The following significant assumptions are used for valuation of this scheme."

“Actuarial gains and losses are accounted for using the corridor method. Under this method, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the profit or loss in the statement of comprehensive income over the expected average remaining working lives of the employees participating in the plan. The following significant assumptions are used for valuation of this scheme.”

Discount rate 14% per annum (2011: 14%)

Expected rate of increase in salary level 13% per annum (2011: 13%)

Expected mortality rate As per EFU (61-66) mortality table

Expected withdrawal rate Age dependant

3.16 Borrowings

Borrowings that are acquired for long term financing are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.17 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to item(s) recognized directly in equity, in which case it is also recognised in equity.

(a) Current

Provision for current taxation is based on income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any, or minimum tax on turnover whichever is higher and tax paid as final tax. The charge for current tax includes adjustments to charge for prior years, if any.

(b) Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax basis of the assets and liabilities and their carrying amounts. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax is adjusted in accordance with the requirement of Accounting Technical Release 27 of the Institute of Chartered Accountants of Pakistan.

3.18 Revenue recognition

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

Local sales are recorded on dispatch of goods to the customers.

Export sales are recorded on shipment of goods to the customers.

Dividend income on equity investments is recognized when right to receive dividend is established.

Profit on bank deposits is recognized on time proportion basis.

3.19 Related Party Transactions

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

3.20 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.21 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4 PROPERTY, PLANT AND EQUIPMENT

	Free hold land	lease hold land	Factory building	Office premises	Plant and machinery	Office equipment	Computer equipment	Furniture and fixture	Vehicles	Capital Work in progress	Total
	Rupees										
As at July 01, 2010											
Cost	2,028,820	1,142,763	61,721,356	66,640,230	792,103,556	3,081,768	1,311,318	2,474,821	19,608,521	15,057,604	965,170,757
Accumulated depreciation	-	-	(32,361,396)	(21,184,753)	(411,828,998)	(1,169,133)	(722,189)	(910,481)	(10,990,393)	(5,833,002)	(485,000,335)
Net book value	2,028,820	1,142,763	29,359,960	45,455,477	380,274,558	1,912,635	589,129	1,564,340	8,618,138	9,224,602	480,170,422
Year ended June 30, 2011											
Opening net book value	2,028,820	1,142,763	29,359,960	45,455,477	380,274,558	1,912,635	589,129	1,564,340	8,618,138	9,224,602	480,170,422
Additions during the year	-	-	-	18,004,848	71,391,202	365,880	158,795	238,131	2,443,590	14,688,200	107,290,646
Disposals / transfers	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	(1,302,500)	(16,418,992)	(17,721,492)
Accumulated depreciation	-	-	-	-	-	-	-	-	1,052,961	-	1,052,961
Net book value	-	-	(2,935,996)	(2,401,332)	(40,610,079)	(197,166)	(208,402)	(165,611)	(249,539)	(16,418,992)	(16,668,531)
Depreciation for the year	-	-	-	-	(40,610,079)	(197,166)	(208,402)	(165,611)	(1,876,159)	-	(48,394,745)
Closing net book value	2,028,820	1,142,763	26,423,964	61,058,993	411,055,681	2,081,349	539,522	1,636,860	8,936,030	7,493,810	522,397,792
As at July 01, 2011											
Cost	2,028,820	1,142,763	61,721,356	84,645,078	863,494,758	3,447,648	1,470,113	2,712,952	20,749,611	13,326,812	1,054,739,911
Accumulated depreciation / Asset Transferred	-	-	(35,297,392)	(23,586,085)	(452,439,077)	(1,366,299)	(930,591)	(1,076,092)	(11,813,581)	(5,833,002)	(532,342,119)
Net book value	2,028,820	1,142,763	26,423,964	61,058,993	411,055,681	2,081,349	539,522	1,636,860	8,936,030	7,493,810	522,397,792
Year ended June 30, 2012											
Opening net book value	2,028,820	1,142,763	26,423,964	61,058,993	411,055,681	2,081,349	539,522	1,636,860	8,936,030	7,493,810	522,397,792
Additions during the year	-	-	2,768,627	3,817,681	72,955,552	155,111	270,604	319,840	11,224,562	208,317,556	299,819,533
Disposals / transfers	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	(6,576,815)	-	(119,680)	-	(1,890,351)	(68,768,305)	(77,355,151)
Accumulated depreciation	-	-	-	-	6,047,587	-	108,329	-	1,755,124	-	7,911,040
Depreciation for the year	-	-	(2,775,748)	(3,136,437)	(43,409,037)	(216,983)	(177,098)	(175,644)	(135,227)	(68,768,305)	(69,444,111)
Closing net book value	2,028,820	1,142,763	26,406,843	61,740,237	440,072,968	2,019,477	621,677	1,781,056	17,824,573	147,043,061	700,681,475
As at June 30, 2012											
Cost	2,028,820	1,142,763	64,479,983	88,462,759	929,873,495	3,602,759	1,621,037	3,032,792	30,083,822	221,644,368	1,345,972,598
Accumulated depreciation / Asset Transferred	-	-	(36,073,140)	(26,722,522)	(489,800,527)	(1,563,282)	(999,360)	(1,251,736)	(12,259,249)	(74,601,307)	(645,291,123)
Net book value	2,028,820	1,142,763	28,406,843	61,740,237	440,072,968	2,019,477	621,677	1,781,056	17,824,573	147,043,061	700,681,475
Annual rates of depreciation	0%	0%	10%	5%	10%	10%	30%	10%	20%	0%	0%

Note

4.1 Depreciation / impairment is allocated as under

	Note	June 30, 2012 RUPEES	June 30, 2011 RUPEES
Cost of sales	22	46,184,785	43,546,075
Administrative expenses	23	<u>5,906,954</u>	<u>4,848,670</u>
		<u>52,091,739</u>	<u>48,394,745</u>

4.2 Particulars of disposal of operating fixed assets

Particulars of asset	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain on disposal	Mode of Disposal	Particulars of Purchaser
Rupees							
Textile Machinery	6,576,815	6,047,587	529,228	570,000	40,772	Negotiation	Mr. Ghulam Mustafa
Computer Monitors	119,680	108,329	11,351	22,000	10,649	Negotiation	M/S New Digital System M/S Al-Qaim Corporation
Vehicle CK-9142	590,000	540,069	49,931	100,000	50,069	Negotiation	Mr. Abdul Hameed
Vehicle ACV-256	967,000	890,427	76,573	275,000	198,427	Negotiation	Mr. Amanullah
Vehicle W-1243	333,351	324,628	8,723	75,000	66,277	Negotiation	Mr. Shahzad Anjum
2012	<u>8,586,846</u>	<u>7,911,040</u>	<u>675,806</u>	<u>1,042,000</u>	<u>366,194</u>		
2011	1,302,500	1,052,961	249,539	500,000	250,461		

4.3 Capital work in progress

Advance for purchase of Land		437,500	437,500
Carding Machines		18,230,000	-
Ring Frames		50,866,747	-
Drawing & Simplex Machines		27,142,158	-
Autocone Machinery		14,461,000	-
Other Capital Items		403,492	-
Advance to Contractors for Civil Works		35,502,164	7,056,310
		<u>147,043,061</u>	<u>7,493,810</u>

5 LONG TERM DEPOSITS

Security deposits			
- WAPDA		715,160	715,160
- Others		339,550	339,550
		<u>1,054,710</u>	<u>1,054,710</u>
Margin on bank guarantee to SSGC		6,768,957	6,768,957
		<u>7,823,667</u>	<u>7,823,667</u>

6 STORES, SPARES AND LOOSE TOOLS

Stores		6,536,391	10,483,417
Spares	6.1	21,446,068	15,164,408
Loose tools		340,151	258,002
		<u>28,322,610</u>	<u>25,905,827</u>

6.1 This includes provision of slow moving stores and spares amounting to Rs 2.518 million (2011:2.518 million).

	Note	June 30, 2012 RUPEES	June 30, 2011 RUPEES
7 STOCK IN TRADE			
Raw material	7.1	496,494,743	127,300,775
Work-in-process		14,142,175	24,432,772
Finished goods		34,364,175	230,789,067
Waste		1,891,722	117,275
Stock in transit		-	12,630,946
		546,892,815	395,270,835

7.1 Stocks with carrying value of Rs. 447.188 million (2011: Rs. 321 million) have been pledged as security with certain banks against finance facilities.

8 TRADE DEBTS

Considered good

Export trade debts - secured		34,754,560	15,514,824
Local trade debts - unsecured	8.1	70,619,573	240,589,395
		105,374,133	256,104,219

Considered doubtful

Local trade debts - unsecured		4,208,850	4,208,850
Less: provision for impairment		(4,208,850)	(4,208,850)
		105,374,133	256,104,219

8.1 Trade debtors include amount of Rs. Nil (2011: 49 million) due from related party.

9 SHORT TERM INVESTMENTS

Financial assets at fair value through profit or loss

Held for trading-Quoted equity Instruments	9.1	1,992,368	4,461,566
Held to Maturity			
Term deposits	9.2	3,835,683	-
		5,828,051	4,461,566

9.1	June 30 2012	June 30 2011	Name of Company	June 30 2012	June 30 2011
	Number of Shares			Amount	
	42,087	42,087	The Bank of Punjab	348,480	245,788
	-	150,000	Fauji Cement Company Limited	-	618,000
	-	70,000	Dera Ghazi Khan Cement Limited	-	1,609,300
	-	5,581	Fatima Fertilizer Company Limited	-	92,868
	-	-	Nishat Mills Limited	-	-
	34,375	31,250	National Bank of Pakistan Limited	1,496,688	1,575,625
	-	-	Lotte Pakistan PTA Limited	-	-
	23,000	23,000	Azgard Nine Limited	147,200	126,960
	-	10,000	Nagina Cotton Mills Limited	-	150,000
	-	-	Pakistan Petroleum Limited	-	-
	-	500	Prosperity Weaving Mills Ltd.	-	7,025
	-	1,500	Ellicot Spinning Mills Limited	-	36,000
	99,462	333,918		1,992,368	4,461,566

All the holdings are in ordinary shares of Rs. 10/- each.

9.2 These 6 months term deposits are held with the Soneri Bank Limited, in respect of margin on bank guarantee provided to ETO in respect of suits details of which are disclosed in note 17.3.

	Note	June 30, 2012 RUPEES	June 30, 2011 RUPEES
10 LOAN AND ADVANCES			
Staff and workers	10.1	1,413,471	1,082,093
Advance to suppliers		6,460,836	1,725,595
		<u>7,874,307</u>	<u>2,807,688</u>
10.1 This represents advances provided interest free to employees in accordance with the Company's policy. The advances are unsecured and are recoverable within one year in equal monthly installments.			
11 TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE			
Margin on letter of guarantee	11.1	4,164,720	6,039,720
Deposits		415,500	415,500
Prepayments		84,294	86,196
Sales tax refundable		9,911,884	10,224,395
Special excise duty refundable		2,484,766	2,432,453
		<u>17,061,164</u>	<u>19,198,264</u>
11.1 This represents Margin on bank guarantee provided in respect of suits details of which are disclosed in note 17.3.			
12 TAXATION-NET			
Advance tax recoverable		36,552,210	39,627,842
Provision for Taxation		(35,120,359)	(37,373,288)
		<u>1,431,851</u>	<u>2,254,554</u>
13 CASH AND BANK BALANCES			
Cash in hand		410,851	539,600
Cash at bank			
- Current account		7,237,795	3,666,045
- Deposit account		181	153
		<u>7,237,976</u>	<u>3,666,198</u>
		<u>7,648,827</u>	<u>4,205,798</u>
14 SHARE CAPITAL			
AUTHORIZED SHARE CAPITAL			
12,500,000 (2011:12,500,000) ordinary shares of Rs.10/- each		125,000,000	125,000,000
ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
		2012	2011
		Number of Shares	Rupees
5,515,000	5,515,000	Ordinary shares of Rs.10/- each issued as fully paid in cash	55,150,000
6,500,000	6,500,000	Ordinary shares of Rs.10/- each issued as fully paid as bonus shares	65,000,000
<u>12,015,000</u>	<u>12,015,000</u>	<u>120,150,000</u>	<u>120,150,000</u>

	Note	June 30, 2012	June 30, 2011
		RUPEES	RUPEES
15 LONG TERM FINANCING			
From Banking Companies- Secured		87,875,805	14,590,000
Sub-Total		87,875,805	14,590,000
Less: current portion shown under current liabilities		(35,873,064)	(7,090,000)
		52,002,741	7,500,000

The principal details of loan facilities availed by the Company are as follows:

Lender	2012	2011	Purpose	Amount of Facility	Security	Pricing	Repayment Terms
Soneri Bank Limited	-	10,500,000	Import of Spinning machinery-Term Finance	15 million	First pari pasu charge over importer machinery	6 month average Kibor+ 3% p.a	Semi annual instalments
Soneri Bank Limited	32,325,630	-	Import of spinning machinery-Term Finance	24.825 million	First specific charge over imported machinery	6 month average Kibor+ 3% p.a	Quarterly instalments
Bank Alfalah Limited	-	40,090,000	For retirement of import Documents	11.67 million	lien on Bills/documents	ERF+2% p.a	Semi annual instalments
Citi Bank	55,550,175	-	Restructure of short term loan	80 million	First pari pasu charge per stocks and book debts	1 month average KIBOR + 2.5% P.A.	Monthly instalments
Total	87,875,805	14,590,000					

16 DEFERRED LIABILITIES

Gratuity	16.1	15,640,194	14,538,010
Deferred taxation-net	16.2	27,989,575	16,848,411
		43,629,769	31,386,421

16.1 Reconciliation of amounts recognised in the balance sheet

Present value of defined benefit obligation		15,574,073	14,471,889
Un recognised net actuarial loss		66,121	66,121
		15,640,194	14,538,010

16.1.1 Movement in the net liability recognized in the balance sheet

Opening net liability		14,538,010	11,421,385
Expense for the year	16.1.2	9,141,664	7,437,607
		23,679,674	18,858,992
Benefits paid		(8,039,480)	(4,320,982)
Closing net liability		15,640,194	14,538,010

16.1.2 Expense recognized in the profit and loss account

Current service cost		7,059,467	6,092,515
Interest cost		2,082,197	1,345,092
Net actuarial loss/(gain) recognized in the year		-	-
		9,141,664	7,437,607

16.1.3 Comparison for five years

	2012	2011	2010	2009	2008
	Rupees				
Present value of defined benefit obligation	15,574,073	14,471,889	11,209,100	8,417,973	6,691,946
Experience adjustment:					
Increase / (decrease) in plan liabilities	-	-	-	(42,999)	886,930

	Note	June 30, 2012 RUPEES	June 30, 2011 RUPEES
16.2 Deferred tax liability - net			
Deferred tax liability on taxable temporary difference:			
Property, plant and equipment - accelerated depreciation		31,928,788	19,881,731
Deferred tax asset on deductible temporary differences:			
Provision for doubtful debts		(418,355)	(290,348)
Provision for gratuity		(1,554,617)	(862,962)
Unused tax losses		(1,634,543)	(1,880,010)
		(3,607,514)	(3,033,320)
		28,321,273	16,848,411

Deferred tax assets and liabilities are recognised to the extent of the percentage of local sales to total turnover of the Company which includes export sales which is taxable under final tax regime except the asset arising on unabsorbed tax losses which solely pertain to local sales portion.

17 TRADE AND OTHER PAYABLES

Creditors	17.1	60,249,063	39,980,918
Accrued expenses		52,624,605	71,449,002
Workers' profit participation fund	17.2	2,863,093	2,840,477
Workers' welfare fund		3,483,109	2,336,872
Income tax payable		166,692	225,784
Provision against HESCO and Excise Duty	17.3	14,027,752	17,226,284
Unclaimed dividend		2,543,864	4,089,344
		135,958,178	138,148,681

17.1 This includes amount of Rs. Nil (2011: Rs. Nil) payable to related parties of the Company.

17.2 Workers' profits participation fund

Opening balance		2,840,477	11,338,559
Interest expense	17.2.1	280,838	1,389,051
		3,121,315	12,727,610
Less: Payment during the year		3,121,315	12,727,610
Allocation for the year		2,863,093	2,840,477
		2,863,093	2,840,477

17.2.1 The company retains workers' profit participation fund for its business operations till the date of allocation to the workers. Interest is paid at the prescribed rate under the Workers' Profit Participation Fund Act on funds utilized by the Company till the date of allocation to the workers.

17.3 This includes Rs. 11.452 million (2011: 11.452 million) and Rs. 2.575 million (2011: 5.774 million) provided against the demands of Hyderabad Electric Supply Company Limited and Excise and Taxation departments respectively. The same are disputed and pending for judgments in there respective courts. The Company made provision against the same as a matter of prudence. The Company has also provided bank guarantees against the respective claims amounting to Rs. 10.29 million (2011: 10.29 million) and Rs.2 million (2011: 7.5 million) [refer note 20.1].

	Note	June 30, 2012 RUPEES	June 30, 2011 RUPEES
18 MARK-UP ACCRUED ON FINANCING			
Long-term financing		2,716,035	506,982
Short-term borrowings		29,103,676	13,654,960
		<u>31,819,711</u>	<u>14,161,942</u>
19 SHORT TERM BORROWINGS			
Running finance			
Askari Bank Limited		34,546,961	34,546,961
Bank Al-Falah Limited		142,389,308	23,437,323
Allied Bank Limited		132,947,295	189,138,787
Soneri Bank Limited		3,116,390	102,661,702
J. S. Bank Limited		207,099,000	-
Citi Bank N.A.		-	80,000,000
	19.1	520,098,954	429,784,773
Foreign currency financing			
Soneri Bank Limited FE-25	19.2	133,617,143	154,197,532
Loan from directors		12,500,000	-
		<u>666,216,097</u>	<u>583,982,305</u>

19.1 These represent short term working capital finance facilities and financing facility against foreign bills which are secured by pari passu charge by way of hypothecation of stock of stores and spares, cotton yarn, finished goods, export bills under collection and trade debts of the Company. The rate of mark-up for running finance ranges from KIBOR + 1.5% to KIBOR + 2.75% per annum (2011: KIBOR + 1.5% to KIBOR +3.25%), KIBOR ranged from 1 month, 3 months and 6 months. The applicable rate of mark-up on foreign currency finance has been LIBOR + 3% to LIBOR + 3.5% per annum (2011: LIBOR + 3%). The unavailed facility amounting to Rs 637million.

19.2 This represents Foreign Exchange loan of \$1,418,439 translated at the conversion rate existed on 30 June 2012.

20 CONTINGENCIES AND COMMITMENTS

No contingency is reportable as of June 30, 2012 (June 30, 2011 Nil)

20.1 Commitments

Against letters of credit	12,485,746	5,795,335
Bank guarantee to Excise & Taxation department	2,000,000	7,500,000
Bank guarantee to HESCO	10,290,000	10,290,000
Revolving Letter of credit to SSGC	21,737,388	18,697,667
FBP outstanding	88,377,778	-
Civil Contractor	19,989,577	-
-	-	-

	Note	June 30, 2012 RUPEES	June 30, 2011 RUPEES
21. SALES - NET			
Local sales		1,027,756,201	594,402,952
Exports - direct		1,325,856,863	2,371,931,552
Exports - indirect		507,002,304	643,964,145
		1,832,859,167	3,015,895,697
		2,860,615,368	3,610,298,649
Wastage sales		22,977,855	45,205,810
Raw material sales		477,628,629	73,655,477
Income from processing of yarn		84,000	15,394,700
		500,690,484	134,255,987
Ocean freight		(8,899,479)	(15,785,595)
Commission on export sales		(21,261,621)	(50,178,680)
Commission on local sales		(1,267,915)	(1,187,089)
Export development charges		(3,206,993)	(6,129,747)
Premium on discounting of the export bills		(10,168,023)	(2,389,864)
		(44,804,031)	(75,670,975)
		3,316,501,821	3,668,883,661
22 COST OF SALES			
Raw material consumed	22.1	1,893,664,236	3,025,615,434
Store and spares consumed		43,746,982	32,934,644
Packing material consumed		52,661,253	46,359,479
Salaries, wages and other benefits	22.2	136,039,425	135,053,692
Repair and maintenance		9,690,355	10,375,691
Insurance		7,776,606	7,312,026
Fuel and power		168,996,578	159,850,151
Other manufacturing expenses		9,063,973	16,431,386
Depreciation / impairment	4.1	46,184,785	43,546,075
		2,367,824,193	3,477,478,578
Work in process			
Opening		24,432,772	15,976,597
Closing		(14,142,175)	(24,432,772)
		10,290,597	(8,456,175)
Cost of goods manufactured		2,378,114,790	3,469,022,403
Cost of raw material sold		457,328,969	83,795,605
Finished goods and waste:			
Opening		243,537,291	102,078,308
Yarn purchased for export		17,308,200	27,356,440
Closing		(36,255,897)	(243,537,291)
		224,589,594	(114,102,543)
		3,060,033,353	3,438,715,465

	Note	June 30, 2012 RUPEES	June 30, 2011 RUPEES
22.1 RAW MATERIAL CONSUMED			
Opening stock		127,300,775	244,292,064
Add: Purchases		2,720,187,173	2,992,419,750
		2,847,487,948	3,236,711,814
Raw Material sold		(457,328,969)	(83,795,605)
Closing stock		(496,494,743)	(127,300,775)
		1,893,664,236	3,025,615,434

22.2 This includes staff retirement benefits amounting to Rs. 6.683 million (2011: 5.02 million).

23 ADMINISTRATIVE EXPENSES

Directors' remuneration		696,000	696,000
Salaries and other benefits	23.1	14,886,942	11,242,700
Traveling conveyance		2,400,155	1,282,650
Legal and professional		1,152,887	3,007,442
Fees and subscription		1,142,695	384,336
Rent, rates and taxes		942,330	901,476
Electricity, gas and water		2,018,391	1,092,741
Repair and maintenance		759,611	908,632
Communication expenses		851,709	907,892
Printing and stationery		713,172	663,559
Motor vehicle expenses		3,009,236	2,807,142
Advertisement expenses		71,890	103,680
Entertainment expenses		974,060	1,586,838
Charity and donation	23.2	213,600	400,000
Audit fee	23.3	740,000	640,000
Miscellaneous expenses		1,225,531	1,014,041
Depreciation	4.1	5,906,954	4,848,670
		37,705,163	32,487,799

23.1 This includes staff retirement benefits amounting to Rs. 2.458 million (2011: Rs. 2.417 million).

23.2 None of directors or their spouse have any interest in the donees' funds.

23.3 Auditors Remuneration

Audit fee		500,000	500,000
Half yearly review		140,000	140,000
Code Of Corporate Governance		50,000	-
Other Certifications		50,000	-
		740,000	640,000

24 DISTRIBUTION COST

Freight and octroi charges		4,085,536	3,509,220
Export Selling Expenses		3,575,710	4,168,367
Foreign Travelling Expense		1,563,720	665,472
Trailer Charges		4,728,050	6,261,820
Export Insurance Charges		1,491,565	988,642
Stamp duty on Export sales		1,844,653	3,217,344
Others	24.1	4,075,233	7,222,055
		21,364,467	26,032,920

24.1 It includes charges in respect of Stamp Duty on local sales, Letter of Credit expenses, Sales promotion, export bank charges, Foreign bank charges, forwarding charges and LC advising charges.

	Note	June 30, 2012 RUPEES	June 30, 2011 RUPEES
25 OTHER OPERATING INCOME / (LOSS)			
Profit on saving deposit account		631,320	11,289
Profit on sale of property, plant and equipment		366,194	250,461
Dividend income		246,625	359,375
Capital gain on sale of investments		295,268	2,853,447
Unrealised Loss on investment classified as fair value through Profit & Loss		(81,965)	(340,581)
		<u>1,457,442</u>	<u>3,133,991</u>
26 OTHER CHARGES			
Workers' profit participation fund		2,863,093	2,840,477
Workers' welfare fund		1,146,237	2,336,872
Exchange Loss on translation	26.1	16,584,889	1,433,561
		<u>20,594,219</u>	<u>6,610,910</u>
26.1 This include Rs 6.14 million on account of exchange loss arised on translation of foreign currency loan FE-25 obtained from Soneri Bank Limited, at the end of period using conversion rate existed at 30-June-2012.			
27 FINANCE COST			
Mark-up on:			
Short term borrowings		107,319,967	99,221,614
Long term financing		10,145,109	2,502,300
Inland letter of credit and FAFB		4,818,294	7,622,672
		122,283,370	109,346,586
Interest on workers' profit participation fund		280,838	1,389,051
Bank charges and guarantee commission		2,395,332	5,802,737
		<u>124,959,540</u>	<u>116,538,374</u>
28 TAXATION			
Current year		35,120,359	37,373,288
Prior year		1,762,519	(5,181,476)
Deferred tax	16.2	11,141,164	(9,591,725)
		<u>48,024,043</u>	<u>22,600,087</u>
28.1 The assessment has been finalized upto and including accounting year June 30, 2011 (Tax year 2011). For the provision for taxation for current year being based on one percent of export receipts and the local turnover, reconciliation of accounting profit and taxable profit has not been presented.			
29 EARNINGS PER SHARE - BASIC & DILUTED			
Profit after taxation		5,278,478	29,032,097
Weighted average number of ordinary shares		12,015,000	12,015,000
Earning per share in rupees		0.44	2.42

There is no dilutive effect on the basic earnings per share of the Company, since there were no convertible instruments in issue as at June 30, 2012 and June 30, 2011 which could have any effect on the earnings per share if the option to convert was exercised.

	Note	June 30, 2012 RUPEES	June 30, 2011 RUPEES
30 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the end of the reporting year as shown in the cash flow statement are reconciled to the related items in the balance sheet as follows:			
Cash and bank balances		7,648,827	4,205,798
Short term borrowings		(666,216,097)	(583,982,305)
		<u>(658,567,270)</u>	<u>(579,776,507)</u>
31 FINANCIAL INSTRUMENTS BY CATEGORY			
Financial assets:			
Loans and receivables			
Long term deposits		7,823,667	7,823,667
Trade debts		105,374,133	256,104,219
Loans and advances		1,413,471	1,082,093
Short term deposits, prepayments and other receivable		4,664,514	6,541,416
Cash and bank balances		7,648,827	4,205,798
		<u>126,924,612</u>	<u>275,757,193</u>
At fair value through profit and loss Equity Instruments		1,992,368	4,461,566
Held To Maturity			
Term deposits		3,835,683	-
		<u>132,752,663</u>	<u>280,218,759</u>
Financial liabilities: at amortized cost			
Long term financings		87,875,805	14,590,000
Trade & other payables		135,958,178	132,374,397
Markup accrued		31,819,711	19,936,226
Short term borrowings		666,216,097	583,982,305
		<u>921,869,791</u>	<u>750,882,928</u>

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest/mark-up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Due to the Company's long standing business relationship 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. To manage exposure to credit risk, Company applies credit limits and deals with credit worthy parties. It makes full provision against those balances considered doubtful and by dealing with variety of major banks and financial institutions. The carrying amounts of financial assets against which the Company does not hold any collateral represent the maximum credit exposure, these are listed as under:

	Note	June 30, 2012 RUPEES	June 30, 2011 RUPEES
Long term deposits		7,823,667	7,823,667
Trade debts		105,374,133	256,104,219
Loans and advances		1,413,471	1,082,093
Short term deposits, prepayments and other receivables		415,500	415,500
Bank balances		7,237,976	3,666,198
		122,264,747	269,091,677

Impairment losses:

The aging of trade debts at the reporting date was:

	2012		2011	
	Gross Value	Impairment	Gross Value	Impairment
	Rupees			
Not past due	48,993,925	-	223,014,652	-
Past due 1-60 days	41,958,348	-	18,458,965	-
Past due 61 days to 1 year	9,672,614	-	12,243,119	-
More than 1 year	8,958,096	4,208,850	12,833,333	10,445,850
Total	109,582,983	4,208,850	266,550,069	10,445,850

The Company believes that no impairment loss is necessary in respect of trade debts past due except for which has already been provided. Trade debts are essentially due from credit worthy parties. The Company is actively pursuing for recovery of debts and the Company does not expect these parties to fail to meet their obligations.

The maximum exposure to credit risk at the balance sheet date segregated by geographic region is as follows:

Domestic	74,828,423	251,035,245
China	34,754,560	10,171,512
Taiwan	-	5,343,312
	109,582,983	266,550,069

The credit quality of Company's bank balances as at the balance sheet date can be assessed with reference to external credit ratings as follows:

Long term

A	347,017	208,177
AA	27,240	371,286
A1+	10,952	323,459
AA+	328,883	26,655
AAA	206,963	-
AA-	6,262,427	-
A-	54,494	2,736,621
	7,237,976	3,666,198

Short term

AAA	206,963	-
A1+	6,629,499	3,401,074
A1	385,329	215,160
A2	10,000	-
AA-	6,185	49,964
	7,237,976	3,666,198

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate exposure is significant in relation to the Company's total exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facility. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Company's treasury functions aim at maintaining flexibility in funding by keeping committed credit line available.

The following table details repayments of financial liabilities including estimated interest payments based on their contractual maturities:

	Carrying value	Contractual cash flow		
		Total	Upto one year	More than one year
Rupees				
Long term financing	90,591,840	90,591,840	38,589,099	52,002,741
Trade and other payables	135,958,178	135,958,178	135,958,178	-
Short term borrowings	695,319,773	695,319,773	695,319,773	-
June 30, 2012	921,869,791	921,869,791	869,867,050	52,002,741
Long term financing	15,096,982	15,096,982	7,596,982	7,500,000
Trade and other payables	122,230,121	122,230,121	122,230,121	-
Short term borrowings	597,637,265	597,637,265	597,637,265	-
June 30, 2011	734,964,368	734,964,368	727,464,368	7,500,000

Contractual cash flows include tentative interest payments to be made up to the maturity of relevant facilities. The future interest related cash flows depend on the interest rates applicable at that time and the extent of utilization of running finance facilities.

(c) Market risk

Market risk means the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, equity prices and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Company's market risk comprises of two types of risk: foreign exchange or currency risk and interest/markup rate risk. The market risks associated with the Company's business activities are discussed as under:

(i) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions denominated in foreign currencies. The foreign currency risk of the Company arising due to exports is minimal as the export bills are immediately realized via sale to bank. Currently the Company's main risk exposure is on its foreign currency borrowing.

(ii) Exposure to foreign currency risk

As at balance sheet date, the Company is exposed to foreign currency risk on the following account balances:

		June 30, 2012	June 30, 2011
Trade debtors	\$	369,729	181,490
Short term foreign currency finances	\$	(1,418,440)	(1,791,952)
Net Exposure - Asset/ (Liability)	\$	(1,048,711)	(1,610,462)
	Rs.	(98,788,539)	(137,758,919)

Sensitivity analysis

The following is an analysis of the financial assets/ liabilities as at June 30, 2012 and 2011 that are subject to foreign currency risk and shows the estimated changes in the value of financial assets and financial liabilities (and the resulting change in profit and loss account and equity) assuming changes in the underlying exchange rates applied immediately and uniformly across all currencies. The changes in value do not necessarily reflect the best or worst case scenarios and actual results may differ. The analysis assumes that all other variables, in particular interest rate, remain constant.

The following significant Rupee exchange rates applied during the year:

	Average rate		June 30 mid spot rate	
	2012	2011	2012	2011
US Dollar	90.12	85.54	94.2	85.95

Change in Rupee parity against foreign currencies would have the following effect on profit and loss account and equity due the foreign currency balances outstanding as at balance sheet date:

	Weakening of the PKR by			0%	Strengthening of the PKR by		
	-20%	-10%	-5%		5%	10%	20%
June-2012	(19,757,708)	(9,878,854)	(4,939,427)	-	4,939,427	9,878,854	19,757,708
June-2011	(27,551,784)	(13,775,892)	(6,887,946)	-	6,887,946	13,775,892	27,551,784

(iii) Interest rate risk management

Interest/ mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The long-term financing and short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offered Rate (KIBOR) and London Inter Bank Offered Rate (LIBOR) as indicated in respective notes. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2012	2011	2012	2011
	Effective interest rate (%)		Carrying amount (Rs.)	
Financial liabilities				
Long term financing	13.9% - 16.13%	7% - 15.4%	87,875,805	14,590,000
Short term borrowings				
- KIBOR based	13.79% - 15.62%	14.35% - 16.21%	520,098,954	429,784,773
- LIBOR based	3.39% - 3.68%	3.04% - 3.55%	133,617,143	154,197,532

As at balance sheet date, the Company does not hold any fixed rate interest based financial assets or liabilities carried at fair value.

A change of 100 basis points in interest rates would have decreased profit by Rs. 7.495 million (2011: Rs. 6.974 million).

(iv) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 1.9 million (2011: 4.4 million).

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake transactions on adverse terms.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Company are the current bid prices.

The carrying value less impairment provision of trade and other receivables and carrying amount of trade payables are estimated to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The classification of financial instruments carried at fair value by reference to the source of inputs used to derive the fair value as given below uses the following three-level hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	Rupees			
June 30, 2102				
Financial assets held for trading				
Quoted equity securities	5,828,051	-	-	5,828,051
June 30, 2011				
Financial assets held for trading				
Quoted equity securities	4,461,566	-	-	4,461,566

(c) CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders

For calculation of gearing ratio disclosed hereunder, "total borrowings" are taken as the sum of 'long term financing' and 'short term borrowings' while "total capital" is comprised of 'shareholders' equity' and 'total borrowings';

	Note	June 30, 2012 RUPEES	June 30, 2011 RUPEES
Total borrowings		754,091,902	598,572,305
Cash and bank balances		(7,648,827)	(4,205,798)
		746,443,075	594,366,507
Total equity		463,439,339	458,160,861
Total capital		1,209,882,414	1,052,527,368
Gearing ratio (%)		62.33	56.87
33 CASH GENERATED FROM OPERATION			
Profit before taxation		53,302,521	51,632,184
Adjustments for non cash charges and other items:			
Depreciation / impairment	4.1	52,091,739	48,394,745
Provision for gratuity	16.1	9,141,664	7,437,607
Impairment on trade debts		-	-
Capital gain on sale of investments		(295,268)	(2,853,447)
Unrealised Loss on investment classified as fair value through Profit & Loss		81,965	340,581
Profit on sale of property, plant and equipment	4.2	(366,194)	(250,461)
Workers' profit participation fund		2,863,093	2,840,477
Workers' welfare fund		1,146,237	2,336,872
Finance cost		124,959,540	117,971,935
		189,622,776	176,218,309
Operating profit before working capital changes		242,925,297	227,850,493
(Increase)/decrease in current assets			
Stores, spares and loose tools		(2,416,783)	(5,220,084)
Stock in trade		(151,621,980)	(32,923,866)
Trade debts		150,730,083	24,526,633
Loans and advances		(5,066,619)	(6,339,217)
Trade deposits, prepayments and other receivables		2,137,100	294,909
		(6,238,199)	(19,661,625)
Increase/(decrease) in current liabilities			
Trade and other payables		(1,754,784)	588,664
		234,932,314	208,777,532
34 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES			
Managerial remuneration		464,000	464,000
Other allowances		232,000	232,000
		696,000	696,000
No of persons		2	2

34.1 The Chief Executive and two directors are provided with cars maintained by the Company and telephone at their residence.

34.2 The Chief Executive has waived his remuneration. The directors have waived their meeting fees.

35 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and operating decisions.

The related parties comprise of major shareholders, associated companies with or without common directors, directors of the Company and key management personnel, staff provident fund, and financial institution having nominee on the Board of Directors. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Transactions with other related parties are entered into at rates negotiated

with them. The remuneration of Chief Executive, Directors and Executives is disclosed in note 34 to the financial statements.

Details of transactions and outstanding balances with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	June 30, 2012	June 30, 2011
	RUPEES	RUPEES
Associates		
Sale of raw material	477,628,629	73,655,477
Purchase of yarn	4,309,500	25,545,000
Reprocessing charges	5,436,850	5,898,667
Sale of yarn	13,190,350	-
Due from party as at balance sheet date	-	49,185,152
Reprocessing income	84,000	15,394,700

36 ACCOUNTING ESTIMATES AND JUDGMENTS

(a) Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by income tax department at the assessment stage and where the Company considers that its views on items of material nature are in accordance with the law, the amounts are disclosed as contingent liabilities.

(b) Useful life and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

(c) Employee retirement benefits

The Company uses actuarial valuation to determine the present value of its retirement benefit obligations. The actuarial valuation is carried out by independent valuer based on assumptions mentioned in note 3.15.

	June 30, 2012	June 30, 2011
37 PLANT CAPACITY AND ACTUAL PRODUCTION		
Total number of spindles installed	37,464	37,464
Spindles under re-erection/major overhauling	2,016	-
Spindles under Installation	11,352	-
Average numbers of spindle worked	35,490	36,526
Number of shifts worked per day	3	3
Installed capacity after conversion into 20/s count (kgs.)	11,629,968	12,792,960
Actual production after conversion into 20/s count (kgs.)	10,258,789	11,570,930

38 RECLASSIFICATION

Previous year figures have been rearranged or/ and reclassified, where necessary, for the purpose of comparison and better presentation. Significant reclassifications and rearrangements are as follows:

Reclassification from	Reclassification to	Amount (Rs)
Loan and advances	Capital Work in Progress	7,056,310
Accrued Markup	Trade Creditors	5,774,000
Tax refund due form government	Trade deposit, Prepayments & Other Receivables	12,396,650

39 DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company has authorized the financial statements for issue in their meeting held on September 20, 2012.

40 GENERAL

Figures in these financial statements have been rounded off to the nearest rupee.



Zahid Mazhar
Chief Executive

Karachi:

Dated: September 20, 2012



Omer Bin Zahid
Director

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2012

No of shareholders	Shareholdings	Total shares held
17	Shareholding from 1 to 100 shares	427
12	Shareholding from 101 to 500 shares	6,000
2	Shareholding from 501 to 1000 shares	1,200
2	Shareholding from 1501 to 2000 shares	3,869
1	Shareholding from 10001 to 15000 shares	11,622
2	Shareholding from 35001 to 40000 shares	74,590
1	Shareholding from 45001 to 50000 shares	50,000
1	Shareholding from 50001 to 55000 shares	54,800
1	Shareholding from 100001 to 105000 shares	104,729
1	Shareholding from 165001 to 170000 shares	170,000
1	Shareholding from 195001 to 200000 shares	198,050
1	Shareholding from 260001 to 265000 shares	264,729
1	Shareholding from 530001 to 535000 shares	531,410
1	Shareholding from 655001 to 660000 shares	658,300
2	Shareholding from 690001 to 695000 shares	1,387,626
2	Shareholding from 705001 to 710000 shares	1,412,800
1	Shareholding from 715001 to 720000 shares	717,732
1	Shareholding from 805001 to 810000 shares	807,290
1	Shareholding from 855001 to 860000 shares	856,878
1	Shareholding from 1010001 to 1015000 shares	1,013,681
1	Shareholding from 1625001 to 1630000 shares	1,629,500
1	Shareholding from 2865001 to 2870000 shares	2,059,791
54	Total	12,015,000

SR#	CATEGORIES	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
1	Directors Chief Executive Officer their spouse and minor children	8	4,601,613	38.30
2	Associated Companies, Undertaking and Related Parties	-	-	-
3	NIT	-	-	-
4	Bank / Financial Institution	-	-	-
5	Insurance Companies	-	-	-
6	General Public / Individuals	46	7,413,387	61.70
7	Joint Stock Companies	-	-	-
		54	12,015,000	100.00

SR#	Share holder categories	Percentage	No. of Share
1	CEO, DIRECTORS AND THEIR SPOUSES AND MINOR CHILDREN		
	DIRECTORS & THEIR SPOUSES		
	MR. ZAHID MAZHAR	13.56	1,629,500
	MR. OMER BIN ZAHID	5.87	705,400
	MR. HASSAN BIN ZAHID	5.89	707,400
	MR. SARWAR SHAHAB	0.00	600
	MST. RAFIA SULTANA	8.44	1,013,681
	MRS. NAILA ZAHID	0.10	11,622
	MRS. ANAM OMER	0.02	2,000
	MISS SARAH ZAHID	4.42	531,410
2	ASSOCIATED COMPANIES UNDERTAKINGS AND RELATED PARTIES	0.00	-
3	NIT	0.00	-
4	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS AND INSURANCE COMPANIES	0.00	-
5	INDIVIDUAL SHAREHOLDERS	61.70	7,413,387
6	JOINT STOCK COMPANIES	0.00	-
	Total	100.00	12,015,000
7	SHAREHOLDERS HOLDING 10% OR MORE		
	MR. SHAHID MAZHAR	23.86	2,867,181
	MR. ZAHID MAZHAR	13.56	1,629,500