# CONTENTS

## COMPANY INFORMATION

| | | |
|---|---|---|
| **BOARD OF DIRECTORS** | | |
| **CHAIRMAN AND CHIEF EXECUTIVE** | : | **M. WAQAR MONNOO** |
| **DIRECTORS** | : | MRS. GHAZALA WAQAR<br>MR. SIRAJ SADIQ MONNOO<br>MRS. HINA SIRAJ<br>MR. SYED EJAZUDDIN<br>MR IMRAN MONNOO<br>MR. SYED AYAZUDDIN<br>MR. MUHAMMAD ANWAR SAIGAL |
| **AUDIT COMMITTEE MEMBERS** | | |
| **CHAIRMAN (EXECUTIVE)** | : | M. WAQAR MONNOO |
| **MEMBER (NON-EXECUTIVE)** | | MR IMRAN MONNOO |
| **MEMBER (NON-EXECUTIVE)** | | MRS.GHAZALA WAQAR |
| **CHIEF FINANCIAL OFFICER** | : | MR. ASIM JAFFERY |
| **COMPANY SECRETARY** | : | MR. MUHAMMAD ANWAR SAIGAL |
| **LEGAL ADVISOR** | : | M/S. A.K. BROHI & CO. ADVOCATE |
| **AUDITORS** | : | MUSHTAQ & COMPANY<br>CHARTERED ACCOUNTANTS<br>407-408, COMMERCE CENTRE,<br>HASRAT MOHANI ROAD, KARACHI. |
| **BANKERS** | : | UNITED BANK LTD<br>ASKARI BANK LTD<br>SONERI BANK LTD<br>HABIB BANK LTD<br>ALLIED BANK OF PAKISTAN<br>BANK AL-FALAH LTD. |
| **PRINCIPAL/REGISTERED OFFICE** | : | E/3, FARZANA BUILDING, 1ST FLOOR,<br>BLOCK 7 & 8, K.C.H.S. UNION LTD.,<br>SHAHEED-E-MILLAT ROAD,<br>KARACHI-75350 |
| **MILLS AT** | : | PLOT NO. H/23/3, LANDHI INDUSTRIAL AREA,<br>LANDHI, KARACHI. |

## VISION STATEMENT

We aim to offer high quality yarn both in Pakistan and abroad by continuously improving our products quality by keeping the most technologically advanced production machinery.

## MISSION STATEMENT

We strive to achieve market leadership through technological edge, distinguished by quality and customer satisfaction, and emphasis on employees long term welfare and ensure adequate return to shareholders.

We further wish to contribute to the development of the economy and the country through harmonized endeavour.

# DIRECTORS REPORT

The Directors have pleasure in presenting their Annual Report along with audited accounts of the Company for year ended June 30, 2012 for your consideration and approval.

**OPERATING REVIEW:**

The operating results of the period under review has resulted in net loss before taxation of Rs.87,526,353/- with net sales of Rs.2,278,470,158/- as compared to the last year's sale of Rs. 4,298,252,260/- which shows a decrease of 46.99% over last year's sale.

| | For Year ended June 30, 2012 Rupees | For Year ended June 30, 2011 Rupees |
|---|---|---|
| **Appropriation of profit is as under:** | | |
| **Net Profit/(loss) before taxation** | (87,526,353) | 80,376,702 |
| Taxation: | (21,937,726) | (37,350,115) |
| **Net Profit/ (loss) for the year after taxation** | (109,464,079) | 43,026,587 |
| Unappropriated (loss) brought forward | (757,932,303) | (801,719,502 |
| Actuarial Loss recognized outside income statement | (7,250,371) | (8,808,841) |
| Net Effect of surplus on revaluation of fixed assets Transferred to accumulated profit | 10,661,161 | 9,569,453 |
| **Accumulated (loss) carried forward** | (863,980,592) | (757,932,303) |
| **EPS** | (9.12) | 3.59 |

**FINANCIAL RESULTS:**

The financial results for the year ended June 30, 2012 have shown net loss after tax of Rs.109,464,079\=.The operating profit has been decreased from Rs 273,757,698 to Rs 74,841,420 as compared to last year. Gross profit percentage has decreased from 8.4% to 6.1% as compared with the previous corresponding period. The decrease in sales is mainly due to extraordinary fall in raw cotton and yarn prices which comes down very sharply. The company restricted its sales and production during the period to avoid further losses due to wide fluctuations in raw cotton and yarn prices to the extent of available orders. Further the loss for the period is mainly due to unavailability of working capital, continuous rising prices of energy, increasing dollar rate and due to double digit general inflation which increases cost of other inputs.

We have in principal settled our litigation with Bank Alfalah. Currently the paper work for approvals and filling of consent decree is under progress. After rescheduling our key financial ratios and profitability will greatly improved. Till now no significant development took place in all other legal cases.

**FUTURE PROSPECTS:**

Pakistan's spinning sector is again goes in recession due to unpredictable price pattern of cotton and yarn in International market. The sharp increase in the cotton rates, markup rates and continued escalations in the cost of energy is creating an extremely demanding environment for all spinners. In addition the yarn market is dominated by a bearish sentiment, while the spinning industry is facing stiff competition from heavily subsidized overseas competitors.

To overcome the negative financial effects of theses incidents and liquidity crunch due to expansion and continuous increase in the financial cost and input prices, the management has negotiating rescheduling of long term finances with all banks. The Company at present exporting approximately more than 50% of our total sale to Hong Kong, Korea, Bangladesh, Colombia and USA and hope to reach the level of more than 80% exports of our total sales. In past we also have been awarded FPCCI's Export Award named Best Export Performance award in cotton yarn.

**CORPORATE SOCIAL RESPONSIBILITY:**

We believe that the highest standards of corporate behavior in our society are essential to our long-term success. Therefore, your Company actively meets the social responsibilities to the nation. In the field of health the Company conducts medical camps for employees on regular basis and the emphasis remains on the diagnostic and preventive Care. In the field of education, summer camps have also become a regular event in the year. The purpose of these summer camps is to impart skills of computers to the family members of our employees.

**CORPORATE GOVERNANCE:**

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

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

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

2- Proper books of account have been maintained by the Company as required by the Companies Ordinance, 1984.

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

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

5- The system of internal control is sound in design and has been effectively implemented and monitored.

6- There are no significant doubt upon the Company's ability to continue as a going concern as disclose in Note 1.2.

7- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8- Key operating and financial data of last six years is annexed.

9- During the year, six board meetings were held and the attendance by each director is given hereunder:

| Name of Director | No of Meetings Attended |
|---|---|
| Mian M. Waqar Monnoo | 6 |
| Mrs. Ghazala Waqar | 5 |
| Mr. Siraj Sadiq Monnoo | 6 |
| Mr. Syed Ayazuddin | 6 |
| Mr. Muhammad Anwar Saigal | 6 |
| Mr. Imran Monnoo | 5 |
| Mr. Syed Ejazuddin | 6 |
| | |

10- There were no shares bought and sale by the Directors, CEO, and CFO, Company secretary and their spouses and minor children during the year except for the following:

**(a)Sale/Purchase of Shares**

| S.No | Seller | Purchaser | No. of Shares |
|---|---|---|---|
| 1. | Mr Syed Ayazuddin | Mr.M.Waqar Monnoo | 264,000 |
| 2. | Mr M.Anwar Saigal | Mr.M.Waqar Monnoo | 240,000 |

**(b) Gift of Shares**

| S.No | From | To | No. of Shares |
|---|---|---|---|
| 1. | Mrs Afsheen Shaharyar (sister) | Mr.Siraj Saddiq Monnoo | 250,000 |
| 2. | Mrs Summaiya Tayyab (sister) | Mr.Siraj Saddiq Monnoo | 250,000 |
| 3. | Mrs Zainab Zeeshan (sister) | Mr.Siraj Saddiq Monnoo | 250,000 |

11- The pattern of shareholding and additional information required by the Code of Corporate Governance is annexed.

**AUDITORS:**

You are requested to appoint auditors for the year 2012-2013 and fix their remuneration. The present auditors M/s. Mushtaq & Co., Charted Accountants retires and offers themselves for re-appointment.

**ACKNOWLEDGEMENT:**

I would like to place on record the Co-operation shown by our Bankers for their support and without their co-operation, the present results could not have been achieved. The loyalty and devotion of the Staff members and the workers towards the Company is also one of the major factors for achieving the present results.

For and on behalf of the Board

Karachi: 6th October, 2012

M .WAQAR MONNOO
(Chief Executive/Director)

**STATISTICAL SUMMARY OF KEY OPERATING & FINANCIAL DATE FOR LAST SIX YEARS.**

**(Rupees in Million)**

| YEAR ENDED JUNE 30, | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| **OPERATING RESULTS** | | | | | | |
| Sales net | 2,278.47 | 4,298.25 | 2,729.55 | 2,352.99 | 4,742.48 | 2,231.54 |
| Gross profit. | 139.30 | 365.08 | 139.28 | (216.54) | 220.34 | 214.83 |
| Operating expenses | 71.80 | 96.50 | 80.77 | 84.94 | 82.59 | 79.91 |
| Operating profit | 74.84 | 273.76 | 62.47 | (297.28) | 141.35 | 139.33 |
| Finance cost | 162.37 | 193.38 | 188.85 | 172.93 | 141.57 | 159.04 |
| Others expenses - net (W.P.P.F) | - | - | - | - | - | - |
| Profit/(Loss) before tax | (87.53) | 80.38 | (126.38) | (470.22) | (0.23) | (19.71) |
| Taxation | 21.94 | 37.35 | 27.19 | 14.09 | 14.80 | 14.30 |
| Profit /(Loss) after tax | (109.46) | 43.03 | (153.58) | (484.31) | (15.03) | (34.01) |
| **FINANCIAL POSITION** | | | | | | |
| Paid-up Capital | 120.00 | 120.00 | 120.00 | 120.00 | 120.00 | 120.00 |
| Retained earnings/(loss) | (815.73) | (709.69) | (637.89) | (499.34) | (49.04) | (32.35) |
| Total equity | (695.73) | (589.69) | (517.89) | (379.34) | 70.96 | 87.65 |
| Long term finances | 1,131.16 | 1,161.30 | 564.54 | 265.63 | 306.42 | 370.08 |
| Deferred liability | 5.07 | 4.54 | 3.53 | 2.93 | 4.22 | 3.52 |
| Current liabilities | 1,046.37 | 1,057.60 | 1,558.99 | 1,802.08 | 1,079.33 | 1,076.00 |
| Total assets | 2,566.34 | 2,693.42 | 2,616.73 | 2,777.58 | 2,451.69 | 2,256.31 |
| Fixed assets (Gross) | 2,092.21 | 2,138.60 | 2,112.19 | 2,105.88 | 2,218.75 | 1,959.64 |
| Accumulated depreciation | 96.72 | 213.39 | 160.44 | 105.88 | 544.40 | 485.82 |
| Fixed assets (Net) | 1,995.50 | 1,925.21 | 1,951.76 | 1,999.99 | 1,674.35 | 1,473.82 |
| Long term deposits | 5.06 | 6.37 | 8.61 | 21.59 | 21.50 | 22.74 |
| Long Term Investment | 44.67 | 44.67 | 44.67 | 44.67 | 44.67 | - |
| Current assets | 521.12 | 697.75 | 611.70 | 711.33 | 705.21 | 756.45 |
| **RATIOS** | | | | | | |
| Gross pofit to sales % (Excluding Depreciation) | 8.61 | 9.76 | 7.26 | (6.62) | 10.10 | 12.23 |
| Gross pofit to sales % (Including Depreciation) | 6.11 | 8.49 | 5.10 | (9.20) | 8.03 | 9.63 |
| Cost of sales to sales % | (93.89) | (91.51) | (94.90) | (109.20) | (91.97) | 90.37 |
| Net profit to sales % | (3.84) | 1.87 | (4.63) | (19.98) | (0.01) | (0.88) |
| Earning/(loss) per shares in Rs. | (9.12) | 3.59 | (12.80) | (40.36) | (1.25) | (2.83) |
| Earning/(loss) to equity % | 12.58 | (13.63) | 19.95 | 96.98 | (0.17) | (19.78) |
| Adamin expenses to net sales % | 3.15 | 2.25 | 1.49 | 1.43 | 1.33 | 1.42 |
| Return on fixed assets before tax % | (4.39) | 4.17 | (6.48) | (23.51) | (0.01) | (1.34) |
| Return on total assets before tax % | (3.41) | 2.98 | (4.83) | (16.93) | (0.01) | (0.87) |
| Debt equity ratio % | 76.67 | 74.15 | 65.36 | 60.66 | 44.87 | 57.01 |
| Current ratio | 0.50 | 0.66 | 0.39 | 0.39 | 0.65 | 0.70 |
| Quick ratio | 0.26 | 0.44 | 0.25 | 0.16 | 0.26 | 0.24 |
| Turn over to fixed assets times | 1.14 | 2.23 | 1.36 | 1.18 | 1.64 | 1.51 |
| Turn over to total assets times | 0.89 | 1.60 | 1.04 | 0.85 | 1.12 | 0.99 |

## FORM - A

### PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 2012

| No. of Share Holders | Shareholding | | | | | Total Shares Held |
|---|---|---|---|---|---|---|
| 144 | Holding | from | 001 | to | 100 | 8,505 |
| 105 | ---do--- | | 101 | to | 500 | 25,085 |
| 19 | ---do--- | | 501 | to | 1,000 | 18,090 |
| 39 | ---do--- | | 1,001 | to | 5,000 | 107,359 |
| 13 | ---do--- | | 5,001 | to | 10,000 | 93,586 |
| 6 | ---do--- | | 10,001 | to | 15,000 | 77,525 |
| 3 | ---do--- | | 15,001 | to | 25,000 | 68,005 |
| 3 | ---do--- | | 25,001 | to | 30,000 | 79,800 |
| 1 | ---do--- | | 30,001 | to | 35,000 | 33,500 |
| 2 | ---do--- | | 35,001 | to | 40,000 | 73,500 |
| 1 | ---do--- | | 40,001 | to | 45,000 | 44,000 |
| 2 | ---do--- | | 45,001 | to | 50,000 | 100,000 |
| 1 | ---do--- | | 50,001 | to | 60,000 | 60,000 |
| 1 | ---do--- | | 60,001 | to | 70,000 | 66,000 |
| 1 | ---do--- | | 70,001 | to | 75,000 | 75,000 |
| 1 | ---do--- | | 75,001 | to | 100,000 | 97,500 |
| 1 | ---do--- | | 100,001 | to | 125,000 | 124,679 |
| 1 | ---do--- | | 425,001 | to | 430,000 | 425,866 |
| 1 | ---do--- | | 1,180,001 | to | 1,185,000 | 1,181,655 |
| 1 | ---do--- | | 1,875,001 | to | 1,880,000 | 1,878,570 |
| 1 | ---do--- | | 2,300,001 | to | 2,305,000 | 2,300,025 |
| 1 | ---do--- | | 5,060,001 | to | 5,065,000 | 5,061,750 |
| **348** | | | | | | **12,000,000** |

| Categories Shareholders | No. of Shareholders | Shares Held | Percentage |
|---|---|---|---|
| Individuals | 340 | 11,931,285 | 99.43% |
| Financial Institutions | 2 | 6,360 | 0.05% |
| Other Companies | 6 | 62,355 | 0.52% |
| | **348** | **12,000,000** | **100%** |

## PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 2012

## ADDITIONAL INFORMATION

| SHAREHOLDER'S CATEGORY | | Total Shares | Percentage |
|---|---|---|---|
| **Associated Companies, Undertakings and related parties (Name-wise).** | | None | None |
| **Directors, CEO and their Spouse and Minor Childern (Name-wise)** | | | |
| (1) Muhammad Waqar Monnoo | Chairman / Director | 1,878,570 | 15.65 |
| (2) Mrs. Ghazala Waqar | Director | 1,181,660 | 9.85 |
| (3) Mr. Siraj Sadiq Monnoo | Director | 2,300,025 | 19.17 |
| (4) Mrs. Hina Siraj Sadiq | Director's Spouse | 5,061,750 | 42.18 |
| (5) Mr. Syed Ayazuddin | Director | 66,000 | 0.55 |
| (6) Mr. Muhammad Anwar Saigal | Director | 60,000 | 0.50 |
| (7) Mr. Syed Ejazuddin | Director | 50,000 | 0.42 |
| (8) Mr. Imran Monnoo | Director | 500 | 0.0042 |
| **Executives** | | None | None |
| **Public Sector, Joint Stock Companies and Corporations** | | | |
| (1) National Bank Of Pakistan | | 5,910 | 0.05 |
| (2) Fateh Textile Mills Ltd. | | 50 | 0.0004 |
| (3) Darson Securities | | 100 | 0.0008 |
| (4) SAAO Capital (Pvt) Limited | | 6,700 | 0.0558 |
| (5) ZHV Securities (Pvt) Ltd | | 21,005 | 0.18 |
| (6) SNM Securities (Pvt) Ltd | | 33,500 | 0.28 |
| (7) ACE Securities (Pvt) Ltd | | 1,000 | 0.01 |
| (8) Investment Corporation of Pakistan | | 450 | 0.0038 |
| **Abandoned properties & Other Companies.** | | | |
| (1) Abandoned Properties Organisation. | | 200 | 0.0017 |
| **Shareholders holding 10% or more voting interest in the Listed Companies** | | | |
| (1) Muhammad Waqar Monnoo. | | 1,878,570 | 15.65 |
| (2) Mr. Siraj Sadiq Monnoo. | | 2,300,025 | 19.17 |
| (3) Mrs. Hina Siraj Sadiq | | 5,061,750 | 42.18 |

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD ENDED 30TH JUNE, 2012**

This statement is being presented to comply with the Code of Corporate Governance contained in listing Regulation of the 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 CEO. The Company encourages representation of independent non-executive directors on its Board. At present the board includes three 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancies occurred on the Board during the year ended June 30, 2012.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Management has developed a vision, mission statement and significant policies of the Company and the same is in the process of approval by the Board. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The corporate strategy of the Company is reviewed and approved by the Board along with the annual plan.

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

8. All he meetings of the Board were presided over by the Chairman and, in the absence, by the director elected by the Board for this Purpose. The Board met Six times during the year ended June 30, 2012 including once in every quarter to approve the financial statements of the Company. Written notices of the Board meetings along with the agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged in house orientation courses for its directors during the year to apprise them of their duties and responsibilities and to brief them regarding amendments in the Companies Ordinance / Corporate Laws.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year ended June 30, 2012 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

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

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

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justifications for non arm's length transactions only if such terms can be substantiated.

16. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors. It requires that at least two members of the Audit Committee must be financially literate.

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 framed and advised to the committee for compliance.

18. The Board has set-up an effective internal audit function.

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

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

21. The Management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.

22. We confirm that all other material principles contained in the Code have been complied with.

23. The board formed Human Resource and Remuneration Committee (HR&R) in Compliance with clause XXV of Code of Corporate Governance.

24. Majority of directors on the board are having more than 14 years of education and more than 15 years of experience therefore they are exempted from the mandatory Director's training program as prescribed by the Code of Corporate Governance.

**FOR AND BEHALF OF THE BOARD OF DIRECTORS**

**M. WAQAR MONNOO**
**CHIEF EXECUTIVE**

# Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of the members of Olympia Spinning & Weaving Mills Limited will be held at 09:00 a.m.on Tuesday, October 30, 2012 at the registered office of the company at E-3 Farzana Building 1st Floor Block 7 & 8, K.C.H.S. Shaheed-e-Millat Road Karachi to transact the following business:

**Ordinary Business:**

1. To confirm minutes of the last Extraordinary General Meeting held on June 15, 2012
2. To receive, consider and adopt Audited Accounts for the year ended 30th June, 2012 together with Auditor's and Director's Report thereon.
3. To appoint Auditors for the year ending 30th June, 2013 and to fix their remuneration.

**Special Business:**

4. To obtain approval for providing cross corporate guarantee to Soneri Bank Limited as collateral on behalf of M/s Olympia Power Generation (Pvt) Limited, an associated/subsidiary company for local procurement of machinery. In this connection to consider, and if thought fit, to pass the following Special Resolution with or without amendment(s).

**"RESOLVED THAT pursuant to provisions of the Companies Ordinance, 1984, the Company be and is hereby authorized to provide cross corporate guarantee of Rs 20.0 million to Soneri Bank Limited as collateral on behalf of Olympia Power Generation (Pvt) Limited, an associated/subsidiary company for local procurement of machinery.**

**"FURTHER RESOLVED that Chief Executive or Company Secretary are authorised to execute all documents in this regard."**

A statement under section 160 (1) (b) of the Ordinance pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

**Other Business:**

5. To transact any other business as may be placed before the meeting with the permission of the Chairman.

By Order of the Board
Mr. Muhammad Anwar Saigal
Company Secretary

Karachi: 9 October, 2012

**Notes:**

(i) The Register of Members of the Company will remain closed from 22 October 2012 to 30 October 2012 (both days inclusive) , members are requested to notify change of addresses (if any)

(ii) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be received at the Registered Office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting.

(iv) Central Depository Company account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

**A For Attending the Meeting**

1. In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall, authenticate his identity by showing his original National Identity Card (NIC) or original Passport at the time of attending the Meeting.
2. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

**B For Appointing Proxies**

1. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.
2. The proxy form shall be witnessed by two persons whose name, addresses and NIC numbers shall be mentioned on the form.
3. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
4. The proxy shall produce his original NIC or original passport at the time of the Meeting.
5. Members are requested to notify immediately changes, if any, in their registered addresses.

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

Other information as required under notification no SRO 865(1)/ 2000 Dated December 06, 2000 issued by Securities and Exchange Commission of Pakistan is given here under

| | | | |
|---|---|---|---|
| i | a | Name of Investee Company | **Olympia Power Generation (Pvt) Limited** |
| | b | Amount of Guarantee | **Rs 20.00 million** |
| | c | Purpose of Guarantee | **This guarantee of Rs 20 m is issued in favor of Soneri Bank Limited for local procurement of waste heat recovery machinery.** |
| | d | Details of any existing / written off loan | **N/A** |
| ii | | A Brief about the financial position of the investee company at the time of provision of guarantee on the basis of last financial statement | **Olympia Power Generation (Pvt) Limited was incorporated in Pakistan as a private limited company on August 30, 1994. The main business of the company is to generate electricity and sale of power. The Net Revenue of Olympia Power Generation (Pvt) Limited is Rs.186,841,881 with Gross profit of Rs 26,977,436 and with Net profit of Rs.15,729,415.The total assets of the company are Rs.152,917,398.** |
| iii | | Rate of mark-up to be charged | **Mark up to be charged at the average rate charged by banks in case the guarantee is invoked by the banks and paid by OSWML.** |
| iv | | Particulars of collateral security to be obtained from borrower; if not needed, the justification thereof | **OSWML has to pay for energy purchased and can easily adjust against power purchase payments.** |
| v | | Source of funds from where loan or advance will be given | **N/A** |
| vi | | Repayment schedule | **N/A** |
| vii | | Benefits likely to accrue to the company and the shareholders from the loan and advances | **The provision of guarantee will enable the Olympia Power to procure Waste heat recovery boilers which will primarily be used to supply steam to Olympia Spinning & Weaving Mills Limited.** |
| viii | | Interest of Directors | **The Directors of the Company have no interest in the special business and/or special resolution except to the extent of their shareholdings and remuneration in the Company** |

Member of

# MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

407, Commerce Centre, Hasrat Mohani Road, Karachi. Tel: 32638521-4 Fax: 32639843
**Branch Office:** 20-B, Block-G, Gulberg-III, Lahore. Tel: 35884926 Fax: 35843360
Email Address: mushtaq_vohra@hotmail.com

Illinois, USA

## REVIEW REPORT TO THE MEMBERS

*On the Statement of Compliance with Best Practices of the Code of Corporate Governance*

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance (the code) prepared by the Board of Directors of **Olympia Spinning and Weaving Mills Limited** (the Company) to comply with the Listing Regulation No. 35 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 our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 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 arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2012.

**MUSHTAQ & COMPANY**
Chartered Accountants
**Engagement Partner:**
Shahabuddin A. Siddiqui
F.C.A

KARACHI:
Date: 06 OCT 2012

Member of

# MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

407, Commerce Centre, Hasrat Mohani Road, Karachi. Tel: 32638521-4 Fax: 32639843
**Branch Office:** 20-B, Block-G, Gulberg-III, Lahore. Tel: 35884926 Fax: 35843360
Email Address: mushtaq_vohra@hotmail.com

THE Leading Edge ALLIANCE
Illinois, USA

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Olympia Spinning and Weaving Mills Limited** as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the 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 verifications, we report that;

(a) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984; and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.

(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 and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2012 and of the loss, comprehensive loss, its 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.

(e) Without qualifying our opinion, we draw attention to note 1.2 in the financial statements which indicates that the company incurred a net loss of Rupees 109.464 million during the year ended June 30, 2012 and, as of that date, the company's current liabilities exceeds its current assets by 525.248 million. These conditions, along with other matters as set forth in note 1.2 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

**MUSHTAQ & COMPANY**
Chartered Accountants
**Engagement Partner:**
Shahabuddin A. Siddiqui
F.C.A

KARACHI:
Date: 06 OCT 2012

**OLYMPIA SPINNING & WEAVING MILLS LIMITED**
**BALANCE SHEET**
**AS AT JUNE 30, 2012**

| | NOTES | JUNE 30, 2012 RUPEES | JUNE 30, 2011 RUPEES |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorized capital | | | |
| 13,000,000 (2011: 13,000,000) Ordinary shares of Rs.10 each. | | 130,000,000 | 130,000,000 |
| Issued, subscribed and paid up capital | 4 | 120,000,000 | 120,000,000 |
| Reserves | 5 | (815,734,718) | (709,686,428) |
| | | (695,734,718) | (589,686,428) |
| Surplus on revaluation of property, plant and equipment | 6 | 1,131,873,456 | 1,097,233,425 |
| **NON CURRENT LIABILITIES** | | | |
| Long term financing | 7 | 1,076,768,387 | 1,114,867,088 |
| Liability against assets subject to finance lease | 8 | 1,996,828 | 8,877,566 |
| Deferred liabilities | 9 | 5,068,896 | 4,535,754 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 10 | 647,608,278 | 691,596,675 |
| Accrued Markup | 11 | 44,481,756 | 34,083,541 |
| Short-term borrowings | 12 | 290,776,301 | 254,216,981 |
| Current portion of | | | |
| - long term financing | | 54,389,443 | 46,429,452 |
| - liabilities against asset subject to finance lease | | 9,112,339 | 31,269,824 |
| | | 1,046,368,117 | 1,057,596,474 |
| **CONTINGENCIES AND COMMITMENTS** | 13 | | |
| | | 2,566,340,966 | 2,693,423,879 |
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | 1,995,496,847 | 1,944,631,853 |
| Long term deposit | 15 | 5,058,182 | 6,373,372 |
| Long term investment in subsidiary | 16 | 44,665,822 | 44,665,822 |
| **CURRENT ASSETS** | | | |
| Stores, spare parts and loose tools | 17 | 18,608,270 | 21,365,279 |
| Stock in trade | 18 | 231,616,695 | 208,092,957 |
| Trade debts | 19 | 71,023,203 | 111,912,182 |
| Other financial assets | 20 | 18,788,312 | 8,360,223 |
| Loans and advances | 21 | 86,595,424 | 113,926,933 |
| Income tax and Sales tax Refundable | 22 | 54,051,272 | 30,334,965 |
| Other receivables | 23 | 33,083,556 | 195,763,516 |
| Cash and bank balances | 24 | 7,353,383 | 7,996,777 |
| | | 521,120,116 | 697,752,832 |
| | | 2,566,340,966 | 2,693,423,879 |

The annexed notes form an integral part of these financial statements

**CHIEF EXECUTIVE** **DIRECTOR**

Karachi
Dated: 06 OCT 2012

**OLYMPIA SPINNING & WEAVING MILLS LIMITED**
**PROFIT AND LOSS ACCOUNT**
**FOR THE YEAR ENDED JUNE 30, 2012**

| | NOTE | For the year ended June 30, 2012 RUPEES | For the year ended June 30, 2011 RUPEES |
|---|---|---|---|
| Sales (net) | 25 | 2,278,470,158 | 4,298,252,260 |
| Cost of sales | 26 | (2,139,174,388) | (3,933,167,405) |
| Gross Profit | | 139,295,769 | 365,084,855 |
| Distribution cost | 27 | (22,285,821) | (48,443,089) |
| Administrative expenses | 28 | (49,514,544) | (48,055,229) |
| Other operating income | 29 | 7,346,016 | 5,171,162 |
| | | (64,454,349) | (91,327,157) |
| Operating Profit | | 74,841,420 | 273,757,698 |
| Finance cost | 30 | (162,367,773) | (193,380,996) |
| Net (Loss) / Profit before taxation | | (87,526,353) | 80,376,702 |
| Taxation | 31 | (21,937,726) | (37,350,115) |
| Net (Loss) /Profit for the year after taxation | | (109,464,080) | 43,026,586 |
| (Loss) / Earning per share - Basic and diluted | 32 | (9.12) | 3.59 |

The annexed notes form an integral part of these financial statements

**CHIEF EXECUTIVE** **DIRECTOR**

Karachi
Dated: 06 OCT 2012

**OLYMPIA SPINNING & WEAVING MILLS LIMITED**
**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED JUNE 30, 2012**

| | NOTE | For the year ended June 30, 2012 RUPEES | For the year ended June 30, 2011 RUPEES |
|---|---|---|---|
| **Profit / (Loss) for the year ended after taxation** | | (109,464,080) | 43,026,586 |
| **Other Comprehensive Income:** | | | |
| Actuarial (Loss) recognised | | (7,250,371) | (8,808,841) |
| **Total comprehensive (loss) / income for the year** | | **(116,714,451)** | **34,217,745** |

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

**CHIEF EXECUTIVE** **DIRECTOR**

Karachi
Dated: 06 OCT 2012

**OLYMPIA SPINNING & WEAVING MILLS LIMITED**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED JUNE 30, 2012**

| | PAID UP CAPITAL | REVENUE RESERVE | CAPITAL RESERVE | UN-APPROPRIATED LOSS | TOTAL |
|---|---|---|---|---|---|
| | RUPEES | | | | |
| Balance as at 01-07-2010 | 120,000,000 | 3,580,053 | 44,665,822 | (801,719,502) | (633,473,627) |
| Total comprehensive income for the year ended June 30, 2011 | - | - | - | 34,217,746 | 34,217,746 |
| Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation | - | - | - | 9,569,453 | 9,569,453 |
| Balance as at 30-06-2011 | 120,000,000 | 3,580,053 | 44,665,822 | (757,932,303) | (589,686,428) |
| Total comprehensive loss for the year ended June 30, 2012 | - | - | - | (116,714,451) | (116,714,451) |
| Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation | - | - | - | 10,121,783 | 10,121,783 |
| Realisation of Surplus on revaluation of property, plant & equipment on disposal | - | - | - | 544,378 | 544,378 |
| Balance as at 30-06-2012 | 120,000,000 | 3,580,053 | 44,665,822 | (863,980,593) | (695,734,718) |

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

**CHIEF EXECUTIVE** **DIRECTOR**

Karachi
Dated: 06 OCT 2012

**OLYMPIA SPINNING AND WEAVING MILLS LIMITED**
**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED JUNE 30, 2012**

| | Note | For the year ended June 30, 2012 RUPEES | For the year ended June 30, 2011 RUPEES |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 33 | 264,171,005 | 398,012,851 |
| Taxes paid | | (17,189,708) | (46,944,261) |
| Finance cost paid | | (151,969,559) | (402,023,477) |
| Gratuity paid | | (8,147,150) | (9,304,600) |
| Long term deposits | | 1,315,190 | 2,240,000 |
| Net cash from operating activities | | 88,179,779 | (58,019,487) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of property, plant and equipment | | 2,600,000 | 2,990,000 |
| Fixed capital expenditure | | (68,805,558) | (52,420,216) |
| Net cash used in investing activities | | (66,205,559) | (49,430,215) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Long term finance | | (30,138,710) | 569,826,293 |
| Short term borrowings | | 36,559,320 | (415,535,750) |
| Repayment of lease liabilities | | (29,038,224) | (42,601,065) |
| Net cash used in financing activities | | (22,617,614) | 111,689,477 |
| Net increase in cash and cash equivalents | | (643,394) | 4,239,776 |
| Cash and cash equivalents at the beginning of the year | | 7,996,777 | 3,757,001 |
| Cash and cash equivalents at the end of the year. | | 7,353,383 | 7,996,777 |

The annexed notes form an integral part of these financial statements

**CHIEF EXECUTIVE** **DIRECTOR**

Karachi
Dated: 06 OCT 2012

## 1 The Company and its Operations

### 1.1 THE COMPANY AND ITS OPERATIONS:

The company was incorporated in Pakistan as a public limited company on October 28, 1960, and its shares are quoted on the Karachi Stock Exchange. The main business of the company is manufacturing and sale of yarn. The registered office of the company is situated at E-3 Farzana Building, 1st floor, Block 7 & 8, Shaheed-e-Millat Road Karachi.

**1.2** The company has incurred a loss for the year ended June 30, 2012 of Rupees 109.464 million (June 30, 2011: Profit Rupees 43.026 million) and as of that date, reported accumulated losses of Rupees 863.981 million (June 30, 2011: Rupees 757.932 million). The net assets of company are amounting to Rupees 436.731 million (June 30,2011 : Rupees 507.547 million) and the current liabilities exceeded its current assets by Rupees 525.248 million (June 30, 2011: Rupees 359.844 million) as of that date. These conditions along with adverse key financial ratios and legal cases against the company as mentioned in note 13 (contingencies and commitment) indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. On the basis of five year plan for expansion and increase in sales volume and profitability, management is confident that with better manufacturing facilities and continuous support from directors, they would improve the financial position and restore its profitability. During the year, company has made expansion to Building ,Plant & machinery to increase profitability. Banking facilities with Bank alfalah for rescheduling / restructuring is also at final stage. Directors of the company have committed that in case, the decision of the high court and banking court is against the company they will provide finance from their own resources to meet the obligation. Accordingly, these financial statements have been prepared on going concern assumption.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except as disclosed in note 3:

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest Rupee.

### 2.4 Use Of Estimates And Judgments

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

## 2.5 Standards, interpretations and amendments to published approved accounting standards

### 2.5.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following are new and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year. However, these do not effect financial statements of the Company for the current year.

**IFRS 7 - (Amendments), "Financial Instruments: Disclosures"** emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The application of this amendment has no material impact on the Company's financial statements.

**IAS 1 - (Amendments), "Presentation of financial statements"** clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Accordingly, the Company has presented analysis of other comprehensive income for each component of equity in the statement of changes in equity.

**IAS 24 - (Revised), "Related Party Disclosures"** issued in November 2009 supersedes IAS 24, " Related Party Disclosures" issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government - related entities to disclose details of all transactions with the Government and other government - related entities. The application of this standard has impacted the related party disclosures in the Company's financial statements.

**IAS 27 - (Amendments), "Consolidated and Separate Financial Statements"** clarifies that the consequential amendments from IAS 27 made to IAS 21, "The Effect of Changes in Foreign Exchange Rates", IAS 28, "Investments in Associates" and IAS 31, "Interests in Joint Ventures", apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when IAS 27 is applied earlier. The application of this amendment has no material impact on the Company's financial statements.

**IAS 32 - "Financial Instruments Presentation"** classification of right issues, issued in October 2009 address the accounting for right issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such right issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The application of this amendment has no material impact on the Company's financial statements.

**IFRS 19 - "Extinguishing Financial Liabilities With Equity Instruments"** The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The application of this interpretation ahs no material impact on the Company's financial statements.

**IFRIC 14 - (Amendments) "Prepayments of a Minimum Funding Requirement"** The amendments corrects an un-intended consequence of IFRIC 14, "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction : Without the amendment, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The application of this amendment has no material impact on the Company's financial statements.

### 2.5.2 Approved accounting standards, interpretations and amendments thereto issued but not effective as at the reporting date

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date.

**IFRS 7 - (Amendments) "Financial Instruments Disclosures"** These are applicable on accounting periods beginning or after July 01, 2011. These amendments arise from the IASB's review of off-balance sheet activates. The amendments shall promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfer of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. Earlier application is permitted. The Company shall apply these amendments from January 01 ,2012 and does not expect to have a material impact on its financial statements.

**IFRS 9 - "Financial Instruments"** addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39, " Financial Instruments : Recognition and Measurement", IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains mot of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

**IFRS 12 - "Disclosures of interests in other entities"** This is applicable on accounting periods beginning on or after January 01,2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Company shall apply this standard from January 01, 2013 and does not expect to have a material impact on its financial statements.

**IFRS 13 - "Fair Value measurement"** This is applicable on accounting periods beginning on or after January 01,2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, does not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The company shall apply this standard from January 01, 2013 and does not expect to have a material impact on its financial statements.

**IAS 1 - (Amendments) "Presentation of Financial Statements"** This is applicable on accounting periods beginning on or after July 01,2012. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendments does not address which items are presented in OCI. The Company shall apply this amendment from January 01, 2013 and does not expect to have a material impact on its financial statements.

**IAS 12 - (Amendments) "Income Taxes"** These are applicable on accounting periods beginning on or after January 01,2012. IAS 12 " Income Taxes" currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. it can be difficult and subjective to assess whether recovery shall be through use or through sale when the asset is measured using the fair value model in IAS 40 " Investment property". This amendment therefore introduces an exception to the existing principal for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income Taxes" -recovery of revalued non-depreciable assets", shall no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The Company shall apply these amendments from January 01, 2012 and does not expect to have a material impact on its financial statements.

**IAS 19 - (Amendments) "Employee benefits"** is applicable on accounting periods beginning on or after January 01,2013. The amendments shall eliminate the corridor approach and calculate finance costs on a net funding basis.

**IAS 27 - (Revised 2011) "Separate financial statements"** includes the provisions on separate financial statements that are left after the control provision of IAS 27 have been included in the new IFRS 10. The revised standard is applicable for accounting periods beginning on or after January 01,2013. The Company shall apply this standard from January 01,2013 and does not expect not have a material impact on its financial statements.

## 3 Summary of Significant Accounting Policies

### 3.1 Defined benefit plan

The company operates an unfunded gratuity plan for all of its permanent employees, who attain the minimum qualification period for entitlement to gratuity. Provision is made on the basis of actuarial valuation. The most recent actuarial valuation was carried out effective from June 30, 2012 using the Projected Unit Credit Method.

Any actuarial gain or loss recognized during the year if any, recognized in “Statement of Comprehensive Income “

### 3.2 Taxation

**Current**

Provision for current taxation is made on the taxable income, if any, after taking into account tax credit and tax rebate available.

**Deferred**

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. The carrying amount of all deferred tax assets are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

**3.3 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

**3.4 Provisions**

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

**3.5 Property, plant and equipment**

**a) Owned**

Property plant and equipment except land, Building and Plant & Machinery are stated at cost less accumulated depreciation and impairment loss, if any. Land, Building and Plant & Machinery are stated at revalued amount less accumulated depreciation and impairment loss, if any. Depreciation on additions during year is charged on pro-rata basis when the asset is acquired or capitalized. Similarly the depreciation on deletion is charged on pro-rata basis up to the period when the assets is derecognized. The company reviews the rate of depreciation, useful life, residual value of assets for possible impairment on annual basis. Useful lives are determined by the management based on expected usage of assets, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charges and impairment. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

**b) Leased Assets subject to finance lease**

Assets subject to finance lease are initially recorded at the lower of present value of minimum lease payment under the lease agreement and the fair value of the leased asset. The related obligations under the lease less financial charges allocated to future period are shown as a liability. Financial charges are allocated to accounting period in a manner to provide constant periodic rate of charge on the outstanding liability. Capitalized or leased assets are depreciated on the same basis and on the same rate as owned assets. Income arising from sales and lease back transaction, if any, is deferred and is amortized equally over the lease period.

**c) Capital work in progress**

Capital work in progress is stated at cost and represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use intended.

**d) Impairment of fixed assets**

In accordance with IAS 36, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognized in the profit and loss account.

**3.6 Stores, spares and loose tools**

These are valued at lower of cost and net realizable value. Cost is determined by moving average method. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

**3.7 Stock in trade**

These are valued at lower of cost and net realizable value (NRV) except waste which is valued at NRV, cost is determined as follows:

| | |
|---|---|
| **Raw material** | Monthly average except those in transit which are stated at cost comprising invoice value plus other charge incurred thereon |
| **Work in process & Finished goods** | Raw material cost plus appropriate Manufacturing Cost |
| **Waste** | At net realizable value |

Net realizable value signifies the selling price prevailing in the market less selling expenses incidental to sales. .

### 3.8 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

### 3.9 Cash and cash equivalent

Cash in hand, cash at bank and short-term deposits, which are held to maturity, are carried at cost. For the purpose of cash flow statements, cash equivalent are short-term highly liquid instrument that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

### 3.10 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently. Financial assets are stated at their nominal value as reduced by the appropriate allowances for estimating irrecoverable amount. Mark up bearing financial liabilities are recorded at the gross proceeds received. Other financial liabilities are stated at their nominal value.

### 3.11 Offsetting of financial assets and liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

### 3.12 Revenue recognition

Sales are recognized on dispatch of goods to the customers. Dividend income is recognized when right to receive dividend is established. Interest income is recognized on accrual basis.

### 3.13 Derivative Financial Instruments

These are initially recognized at cost and are subsequently remeasured at their fair value. The method of recognizing gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. Derivatives (Other than designated as hedging instrument) with positive market values (unrealized gains) are included in other assets and derivate with negative market values (unrealized).Losses are included in other liabilities in the balance sheet. The resultant gain and losses are included in the income currently.

### 3.14 Borrowing

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are shown as accrued finance cost to the extent of the amount remaining unpaid.

### 3.15 Trade and other Payables

Liabilities for creditors and other amount payables are carried at cost which is the fair value of the consideration to paid in the future for the goods and / or services received, whether or not billed to the company.

### 3.16 Dividend and appropriation to reserves

The dividend distribution and appropriation to reserves is recognized in the period in which, these are approved.

### 3.17 Borrowing costs

Mark up, interest and other charges on borrowing are capitalized up to the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such borrowings. All other mark up, interest and other charges are charged to profit and loss account.

### 3.18 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 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. All non - monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

| | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|
| **4** | **ISSUED, SUBSCRIBED AND PAID-UP CAPITAL** | | |
| | 2,200,000 (2011: 2,200,000) Ordinary shares of Rs.10 each alloted for consideration paid in cash | 22,000,000 | 22,000,000 |
| | 200,000 (2011: 200,000) Ordinary shares of Rs.10 each alloted as bonus shares | 2,000,000 | 2,000,000 |
| | 9,600,000 (2011: 9,600,000) Ordinary shares of Rs. 10 each issued as right shares | 96,000,000 | 96,000,000 |
| | | 120,000,000 | 120,000,000 |
| **5** | **RESERVES** | | |
| | Revenue reserve | 3,580,053 | 3,580,053 |
| | Capital Reserve | 44,665,822 | 44,665,822 |
| | Accumulated loss | (863,980,593) | (757,932,303) |
| | | (815,734,718) | (709,686,428) |
| **6** | **SURPLUS ON REVALUATION OF FIXED ASSETS** | | |
| | Balance as at June 30, 2011 | 1,097,233,425 | 1,106,802,878 |
| | Realisation on disposal of fixed asset during the year | (544,378) | - |
| | Transfer to equity on account of incremental depreciation for the year | (10,121,783) | (9,569,453) |
| | Surplus asrising on revaluation during the year | 45,306,192 | - |
| | Balance as at June 30, 2012 | 1,131,873,456 | 1,097,233,425 |

**6.1** During the year the company revalued its Land, Factory Building and Plant and Machinery on market value basis by an independent valuer M/S Consultancy Support & Services, Management Consultant on 21st February 2012. The Current revaluation resulted in a cummulative surplus of Rs. 45.306 (M).The company revalued its Land, Factory building & plant & machinery in 2009 which resulted in surplus of 223.989(M), 50.941(M) & 49.515(M) respectively. The revaluation was carried out under market value basis by an independent value Messer Consultancy Support & Service Management Consultants . The company revalued its leasehold land in 2008 & in 2005 by Messer Imran Associate & Messer Consultancy Support & Service Management Consultants respectively which resulted in net surplus of 252.122(M) & 151.635(M) respectively. The company has further revalued its factory building in the year 2006 by Consultancy Support & Services, Management Consultants, which resulted increase in net surplus of Rs. 122.681 (M).

| | | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|---|
| **7** | **LONG TERM FINANCING** | | | |
| | **From banking companies - secured** | | | |
| | Loan 1. UBL TF (Term Finance) | 7.1 | 61,000,000 | 63,000,000 |
| | Loan 2. UBL NIDF-1 (LC & Usuance/Sight) | 7.2 | 261,824,590 | 263,324,590 |
| | Loan 3. UBL NIDF-II (NICF-HYPO) | 7.3 | 56,000,000 | 59,000,000 |
| | Loan 4. UBL NIDF-III (Finance Against Trust Receipts) | 7.4 | 36,358,893 | 36,358,893 |
| | Loan 5. UBL NIDF-IV (Liability Against Forward Contracts) | 7.5 | 34,545,500 | 34,545,500 |
| | Loan 6.UBL NIDF-V (Cross Currency SWAP) | 7.6 | 53,320,000 | 53,320,000 |
| | Loan 7.UBL NIDF-VI (Recoverable Markup) | 7.7 | 157,672,000 | 157,672,000 |
| | Loan 8 . Askari Bank Ltd. (Term Finance) | 7.8 | 337,659,226 | 355,170,305 |
| | Loan 9 . Askari Bank Ltd. Swapped TF | 7.9 | 832,332 | 2,499,999 |
| | Loan 10 . Askari Bank Ltd. ( Frozen Markup ) | 7.10 | 45,514,880 | 51,204,240 |
| | Loan 11. My Bank Ltd. | 7.11 | 30,000,000 | 35,000,000 |
| | | | 1,074,727,421 | 1,111,095,527 |
| | **From related party - unsecured** | | | |
| | Directors loan & others | 7.12 | 56,430,409 | 50,201,013 |
| | | | 56,430,409 | 50,201,013 |
| | Current maturity of long term financing | | (54,389,443) | (46,429,452) |
| | | | 1,076,768,387 | 1,114,867,088 |

| | LOAN | Description | Markup Rate | Repayment Period |
|---|---|---|---|---|
| 7.1 | UBL TF (Term Finance) | This restructured long term loan is now repayable in 44 quarterly installments commencing from January 31,2011 and ending on December 31,2020. | 3 months KIBOR+1% with floor of 11% and cap at 13% | 10 years |
| 7.2 | UBL NIDF-1 (LC & Usuance/Sight) | This loan was created by converting previous outstanding L/C liabilities into a long term loan repayable in 44 quarterly installments commencing from January 31,2011 and ending on December 31,2020.The down payment of Rs 10 m is to be paid at the time of execution of this agreement. | 3 months KIBOR+1% with floor of 11% and cap at 13% | 10 years |
| 7.3 | UBL NIDF-II (NICF-HYPO) | The previous hypo facility was converted into long term loan repayable in 44 quarterly installments commencing from January 31,2011 and ending on December 31,2020. | 3 months KIBOR+1% with floor of 11% and cap at 13% | 10 years |
| 7.4 | UBL NIDF-III (Finance Against Trust Receipts) | The previous FATR facility was converted into long term loan repayable in 44 quarterly installments commencing from January 31,2011 and ending on December 31,2020. | 3 months KIBOR+1% with floor of 11% and cap at 13% | 10 years |
| 7.5 | UBL NIDF-IV (Liability Against Forward Contracts) | The previous outstanding liability of forward contract was converted into long term loan repayable in 44 quarterly installments commencing from January 31,2011 and ending on December 31,2020. | 3 months KIBOR+1% with floor of 11% and cap at 13% | 10 years |
| 7.6 | UBL NIDF-V (Cross Currency SWAP) | The previous outstanding liability of cross currency contract wass converted into long term loan repayable in 41 quarterly installments commencing from December 31,2012 and ending on December 31,2022. | None | 10 years |
| 7.7 | UBL NIDF-VI (Recoverable Markup) | The previous outstanding liability of markup was converted into long term loan repayable in 8 quarterly installments commencing from March 31,2021 and ending on December 31,2022. | None | 10 years |
| | **Security (UBL):-** All the UBL loans are secured by memorandum of deposit of titled of Land amounting to Rs 575.396m, hypothecation of plant & Machinery amounting to Rs. 239.505m and floating charge on all present and futrue current asset of the company up to Rs 802.459m. These loans are restructured through a consent decree of the Court. | | | |
| 7.8 | Askari Bank Ltd. (Term Finance) | The term loan of Rs 379.130 m was created by transferring all the outstanding amounts except for running finance of Rs 25.467m, LTF-EOP of Rs 5 m and frozen markup of Rs 61.893 m into a new term loan payable in 40 quarterly installments commencing from 31 March 2010 through a consent court decree. The bank will claim SBP plus 3% markup rate subsidy of Rs 1,807,000/- on behalf of company which will be adjusted against this loan. | Mark-up is chargeable @ 3 months Kibor + 1% bps payable quarterly. | 10 years |
| 7.9 | Askari Bank Ltd. Swapped TF | This restructured LTF-EOP loan with Askari Bank Limited for Rs. 5 million is for three years. Repayments are in 10 equal quarterly installments of Rs.0.416 million ending in December 2012. | Mark up is SBP refinance rate plus 2% payable quarterly. | 3 years |
| 7.10 | Askari Bank Ltd. ( Frozen Markup ) | This loan is part of Askari Bank Limited restructured package by transferring all the outstanding markup of Rs 61.893m into a new loan payable in 40 equal quarterly installments without any further markup charge. | | 10 years |
| | **Security (Askari Bank Limited):-** The loan is secured by first pari passu charge by way of mortgage of Rs 150m over company land and building, specific charge of Rs. 200 million by way of hypothecation over the machinery imported and purchased locally, first pari passu by way of hypothrcation charge of Rs. 310 million over plant and machinery, ranking charge of Rs 40 m over receviables and personal guarantee of three directors. | | | |

| | | | | |
|---|---|---|---|---|
| 7.11 | My Bank Ltd. | The outstanding liability of demand finance is rescheduled having two years grace period repayable in 9 half yearly installments commencing from January 31,2011 and ending on January 31,2015. | mark-up at the rate of 6 months kibor plus 4% payable quarterly. | 5 years |
| | **Security (Mybank Ltd):-**The loan is secured by Mortgage charge over fixed assets and hypothecation charge over current assets of the company to extent of Rs. 40 (M) each respectively. | | | |

**7.12** The Directors loan is unsecured and interest free and is not repayable in the next twelve months. This loan has been Sub-ordinated to bank loan to the extent of Rs 35 (M).

| | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|
| **8** | **LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE** | | |
| | Minimum lease payments | | |
| | Up to one year | 9,513,240 | 34,025,648 |
| | More than one year but less than five years | 2,001,352 | 9,316,565 |
| | | 11,514,592 | 43,342,213 |
| | Less: Finance cost | | |
| | Up to one year | 400,901 | 2,755,824 |
| | More than one year but less than five years | 4,524 | 438,999 |
| | | 405,425 | 3,194,822 |
| | Present value of minimum lease payments | | |
| | Up to one year | 9,112,339 | 31,269,824 |
| | More than one year but less than five years | 1,996,828 | 8,877,566 |
| | | 11,109,167 | 40,147,391 |

**8.1** The company has entered into lease agreements with various leasing companies. The lease agreement contains bargain purchase option. Taxes, repairs and maintenance, insurance and other costs relating to the leased assets are to be borne by the company. The rate of finance charges applied vary from 15.01 % to 17.19 % (June 2011 15.75 % to 17.71 %) per annum.The above liabilities are secured by lien on leased assets, security deposits and personal guarantee of Directors.

| | | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|---|
| **9** | **DEFERRED LIABILITIES** | | | |
| | Staff retirement benefit-gratuity | 9.1 | 5,068,896 | 4,535,754 |
| | Deferred tax | 9.2 | - | - |
| | | | 5,068,896 | 4,535,754 |
| **9.1** | **Movement in the net liability recognized in the balance sheet** | | | |
| **(a)** | Opening net liability | | 4,535,754 | 3,534,537 |
| | Expense for the year | | 8,680,292 | 10,305,817 |
| | | | 13,216,046 | 13,840,354 |
| | Contribution paid | | (8,147,150) | (9,304,600) |
| | Closing net liability | | 5,068,896 | 4,535,754 |
| **(b)** | **Expense recognized in the profit and loss account excluding actuarial loss** | | | |
| | Current service cost | | 920,464 | 1,071,540 |
| | Interest cost | | 509,457 | 425,436 |
| | | | 1,429,921 | 1,496,976 |

**(c) General description**

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method..

**(d) Principal actuarial assumption**

Following are a few important actuarial assumptions used in the valuation.

| | % | % |
|---|---|---|
| Discount rate | 14 | 14 |
| Expected rate of increase in salary | 5 | 5 |

(e)

| Historical information | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| | RUPEES | RUPEES | RUPEES | RUPEES | RUPEES |
| Present value of the defined obligation | 5,068,896 | 4,535,754 | 3,534,537 | 2,931,817 | 4,216,919 |

**9.2** The company has provided for the current tax based on normal provisions of the income tax ordinance 2001.However,the Company has not provided for deferred tax since the Company's management expects that in consonance with the past trends, future tax liabilities would continue to be finalized under the final tax Regime. Therefore, any timing differences arising during the year are not expected to reverse in future periods.Deferred Tax asset not recognised in the accounts amounting to Rs 13,059,897

| | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|
| **10 TRADE AND OTHER PAYABLES** | | | |
| Trade creditors | | 204,640,770 | 196,298,848 |
| Advance From Customers - Export | | 146,072,692 | 205,211,855 |
| Withholding tax payable | | 67,497 | 31,677 |
| Bills payable | | 270,274,810 | 264,782,951 |
| Accrued expenses | | 21,729,907 | 21,040,992 |
| Worker's profit participation fund | **10.1** | 4,822,602 | 4,230,353 |
| | | 647,608,278 | 691,596,675 |
| **10.1 Worker's profit participation fund** | | | |
| Balance at the beginning of the year | | 4,230,353 | - |
| Interest cost | | 592,249 | - |
| Allocation for the year | | - | 4,230,353 |
| | | 4,822,602 | 4,230,353 |
| Less: Payments During the year | | - | - |
| Balance at the end of the year | | 4,822,602 | 4,230,353 |
| **11 ACCRUED MARK-UP** | | | |
| Long term financing | | 38,110,640 | 24,819,316 |
| Short term running finance | | 6,371,116 | 9,264,225 |
| | | 44,481,756 | 34,083,541 |
| **12 SHORT TERM BORROWINGS** | | | |
| Secured-banking companies | **12.1** | 290,776,301 | 254,216,981 |

**12.1** The facilities for running finance available from various banks amounted to Rs.784.886(m) (June 2011:Rs 904.467 (m) and carries mark-up ranging from 12.92% to 14.84% (June 2011:14.35% to 15.78%) per annum payable quarterly. The above facilities are secured by pledge of raw cotton (if any) and hypothecation charge on stock and book debts and personal guarantee of directors.

**13 CONTINGENCIES AND COMMITMENTS**

**13.1 Contingencies**

Bank Al-Falah Ltd had filed a recovery suit No.B131/2009 in the high court of Sindh and in banking court for Rs. 197,675,768 for the loan balances of banking facilities alleging the unauthorized utilization / lifting of pledged stock by the company . The company is defending the case in the high court. Till the finalization of accounts, the management is actively pursuing settlement of dispute. Out come of the case is not ascertainable as at June 30, 2012, leagal advisor of the company has given favorable opinion about the case therefore, no provision is made in these financial statements.

**13.2** The company has filed a suit No B63/2008 in High Court of Sindh and obtained Stay Order against settlement of cross currency swap contracts of Rs. 830.5(M) entered into by the company with Standard Chartered bank. The company mainly contests on provision of unwinding cost calculation, mismatched dates of settlement with its long term loans repayments and other procedural non compliance of foreign bank. No provision of unwinding cost of cross currency swap contract of Rs 293.35 (M) has been made in the financial statements, as the legal opinion is favorable.

**13.3** The company had filed a counter recovery suit No 1614/2010 against Bank Alflah Limited and its muqaddam Asif Associates (Pvt) Ltd in the high court of Sindh for Rs. 172,628,533/- plus interest for recovery of pledged cotton which were in possession and control of defendents.Till the finalization of accounts, no significant development has taken place. The company received favorable opinion from its legal advisor and as such no provision was made.

**13.4** The Company with many other exporters filed a petition against the imposition of regulatory duty on its export of yarn. The court has granted interim stay order in favor of the company and allowed export of yarn without regulatory duty against post dated cheques. The unpaid amount of regulatory duty was Rs. 24 million.

**13.5** Cross corporate Guarantee issued in favor of subsidiary company amounts to Rs. 147,264,177

**13.6** Guarantee issued to Excise and Taxation Officer by bank on behalf of the company amounting to Rs.23.5 million.

| | | | |
|---|---|---|---|
| **13.7 Commitments** | | | |
| Letter of credit - import of cotton | | 52,670,984.35 | 121,088,740 |
| **14 PROPERTY, PLANT AND EQUIPMENT** | | | |
| Operating Assets | **14.1** | 1,995,496,847 | 1,925,206,009 |
| Capital Work In Progress | **14.2** | - | 19,425,844 |
| | | 1,995,496,847 | 1,944,631,853 |

**OLYMPIA SPINNING & WEAVING MILLS LIMITED.**

**FOR THE YEAR FROM JULY - 2011 TO JUNE - 2012**

### 14.1 OPERATING ASSETS

| PARTICULARS | COST / REVALUATION (RUPEES) | | | | | | RATE | DEPRECIATION (RUPEES) | | | | | | W.D.V. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | AS AT 01-07-2011 | ADDITION | DELETION | REVALUATION | TRANSFER | AS AT 30-06-2012 | % | AS AT 01-07-2011 | FOR THE PERIOD | REVALUATION | DELETION | TRANSFER | AS AT 30-06-2012 | AS AT 30-06-2012 |
| **OWNED:** | | | | | | | | | | | | | | |
| LEASE HOLD LAND | 900,689,031 | - | - | - | - | 900,689,031 | | - | - | | | | - | 900,689,031 |
| FACTORY BUILDING | 386,536,028 | 28,485,760 | - | (45,835,688) | - | 369,186,100 | 4% | 33,628,829 | 14,506,279 | (42,756,073) | - | - | 5,379,035 | 363,807,065 |
| PLANT & MACHINERY | 683,995,829 | 52,411,261 | (3,496,500) | (84,885,742) | 56,636,234 | 704,661,082 | 6% | 104,007,154 | 37,742,584 | (133,271,550) | (9,771) | 16,880,165 | 25,348,582 | 679,312,500 |
| OFFICE EQUIPMENT | 8,815,691 | 322,580 | - | - | - | 9,138,271 | 10% | 4,692,594 | 432,035 | | - | - | 5,124,629 | 4,013,642 |
| FACTORY TOOLS & EQUIPMENT | 2,695,896 | 3,281,997 | - | - | - | 5,977,893 | 10% | 1,263,597 | 294,972 | | - | - | 1,558,569 | 4,419,325 |
| FURNITURE & FIXTURE | 5,994,752 | 130,580 | - | - | - | 6,125,332 | 10% | 3,274,650 | 276,734 | | - | - | 3,551,384 | 2,573,948 |
| MOTOR VEHICLE | 12,989,717 | 2,122,425 | (396,000) | - | - | 14,716,142 | 20% | 3,917,894 | 2,080,599 | | (335,766) | - | 5,662,726 | 9,053,416 |
| ARMS & AMMUNITION. | 36,500 | - | - | - | - | 36,500 | 10% | 31,432 | 507 | | - | - | 31,939 | 4,561 |
| ELECTRIC & PIPE FITTING | 50,393,050 | 1,476,799 | - | - | - | 51,869,849 | 10% | 30,293,253 | 2,069,336 | | - | - | 32,362,589 | 19,507,261 |
| | 2,052,146,495 | 88,231,402 | (3,892,500) | (130,721,430) | 56,636,234 | 2,062,400,200 | | 181,109,402 | 57,403,045 | (176,027,623) | (345,537) | 16,880,165 | 79,019,452 | 1,983,380,749 |
| **LEASED:** | | | | | | | | | | | | | | |
| PLANT & MACHINERY | 86,449,099 | - | - | - | (56,636,234) | 29,812,865 | 6% | 32,280,182 | 2,296,750 | - | - | (16,880,165) | 17,696,767 | 12,116,098 |
| | 86,449,099 | - | - | - | (56,636,234) | 29,812,865 | | 32,280,182 | 2,296,750 | - | - | (16,880,165) | 17,696,767 | 12,116,098 |
| **TOTAL RUPEES June - 2012** | **2,138,595,594** | **88,231,402** | **(3,892,500)** | **(130,721,430)** | **-** | **2,092,213,065** | | **213,389,583** | **59,699,796** | **(176,027,623)** | **(345,537)** | **-** | **96,716,219** | **1,995,496,847** |
| **TOTAL RUPEES June - 2011** | **2,112,193,682** | **32,994,372** | **(6,592,460)** | | **(66,713,866)** | **2,138,595,594** | | **160,438,578** | **56,944,577** | | **(3,993,571)** | **(22,922,354)** | **213,389,584** | **1,925,206,010** |

**14.1.1** Adjustment of leased machinery represents transfer to owned assets on completion of term of lease.

**14.1.2** Depreciation has been allocated as under:

| | June-2012 RUPEES | June-2011 RUPEES |
|---|---|---|
| Manufacturig (Cost of Sales) | 56,909,921 | 54,561,699 |
| Administrative Expenses | 2,789,874 | 2,382,878 |
| | **59,699,796** | **56,944,577** |

**14.1.3** Had there been no revaluation the net book value of land and factory building & Plant & Machinery at June 30, 2012 would have been as follows.

| | Cost | Book Value |
|---|---|---|
| Lease hold land | 383,000 | 383,000 |
| Factory building on lease hold land | 217,326,665 | 208,633,598 |
| Plant & Machinery | 536,226,584 | 504,052,989 |
| As at 30th June 2012 | **753,936,249** | **713,069,588** |
| As at 30th June 2011 | **711,789,428** | **673,039,228** |

**14.1.4 DISPOSAL OF FIXED ASSETS BY COMPANY POLICY**

| Particulars | Original Cost / Revalued Amount | Accumulated Depreciation | Book Value | Sales Proceed | Mode of Sale | P u r c h a s e r |
|---|---|---|---|---|---|---|
| **VEHICLES** | | | | | | |
| BOLAN VAN CN-2675 | 396,000 | 335,766 | 60,234 | 100,000 | Negotiations | Mr. Sultan Ansari , House # R-224,Sector -9 North Karachi - Karachi |
| **Plant & Machinery** | | | | | | |
| Murata Mach Coner Machine | 3,496,500 | 9,771 | 3,486,729 | 2,500,000 | Negotiations | Taqees (Pvt.) Limited C-18/B-1 S.I.T.E. Karachi |
| **Total Rupees** | **3,892,500** | **345,537** | **3,546,963** | **2,600,000** | | |

**14.1.5 PROPERTY, PLANT AND EQUIPMENT**

| PARTICULARS | C O S T / R E V A L U A T I O N (RUPEES) | | | | | RATE | D E P R E C I A T I O N (RUPEES) | | | | | W.D.V. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | AS AT 01-07-2010 | ADDITION | DELETION | TRANSFER | AS AT 30-06-2011 | % | AS AT 01-07-2010 | FOR THE YEAR | DELETION | TRANSFER | AS AT 30-06-2011 | AS AT 30-06-2011 |
| **OWNED:** | | | | | | | | | | | | |
| LEASE HOLD LAND | 900,689,031 | | | | 900,689,031 | | | | | | - | 900,689,031 |
| FACTORY BUILDING | 386,536,028 | | | | 386,536,028 | 4% | 18,924,362 | 14,704,467 | | - | 33,628,829 | 352,907,200 |
| PLANT & MACHINERY | 599,208,735 | 21,418,228 | | 63,368,866 | 683,995,829 | 6% | 49,057,212 | 34,369,995 | | 20,579,947 | 104,007,154 | 579,988,675 |
| OFFICE EQUIPMENT | 8,596,661 | 219,030 | | | 8,815,691 | 10% | 4,245,093 | 447,501 | | - | 4,692,594 | 4,123,097 |
| FACTORY TOOLS & EQUIPMENT | 2,260,896 | 435,000 | | | 2,695,896 | 10% | 1,120,210 | 143,387 | | - | 1,263,597 | 1,432,299 |
| FURNITURE & FIXTURE | 5,977,952 | 16,800 | | | 5,994,752 | 10% | 2,974,153 | 300,497 | | - | 3,274,650 | 2,720,102 |
| MOTOR VEHICLE | 5,331,863 | 10,905,314 | (6,592,460) | 3,345,000 | 12,989,717 | 20% | 3,934,741 | 1,634,317 | (3,993,571) | 2,342,407 | 3,917,894 | 9,071,823 |
| ARMS & AMMUNITION. | 36,500 | | | | 36,500 | 10% | 30,869 | 563 | | - | 31,432 | 5,069 |
| ELECTRIC & PIPE FITTING | 50,393,050 | | | | 50,393,050 | 10% | 28,059,942 | 2,233,311 | | - | 30,293,253 | 20,099,797 |
| | 1,959,030,717 | 32,994,372 | (6,592,460) | 66,713,866 | 2,052,146,495 | | 108,346,582 | 53,834,037 | (3,993,571) | 22,922,354 | 181,109,402 | 1,871,037,092 |
| **LEASED:** | | | | | | | | | | | | |
| PLANT & MACHINERY | 149,817,965 | | | (63,368,866) | 86,449,099 | 6% | 49,749,589 | 3,110,540 | | (20,579,947) | 32,280,182 | 54,168,917 |
| MOTOR VEHICLES | 3,345,000 | | | (3,345,000) | - | 20% | 2,342,407 | - | - | (2,342,407) | - | - |
| | 153,162,965 | - | | (66,713,866) | 86,449,099 | | 52,091,996 | 3,110,540 | | (22,922,354) | 32,280,182 | 54,168,917 |
| **TOTAL RUPEES June - 2011** | **2,112,193,682** | **32,994,372** | **(6,592,460)** | **-** | **2,138,595,594** | | **160,438,578** | **56,944,577** | **(3,993,571)** | **-** | **213,389,584** | **1,925,206,010** |
| **TOTAL RUPEES June - 2010** | **2,105,877,007** | **14,714,674** | **(3,898,000)** | **(15,553,910)** | **2,112,193,681** | | **105,882,180** | **60,250,262** | **(5,693,865)** | **(5,181,627)** | **160,438,577** | **1,951,755,104** |

| | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|
| **14.2** | **CAPITAL WORK IN PROGRESS** | | |
| | **Civil Works** | | |
| | Opening Balance | 19,425,844 | - |
| | Addition | 9,059,916 | 19,425,844 |
| | Transfer | (28,485,760) | - |
| | | - | 19,425,844 |
| **15** | **LONG TERM DEPOSITS** | | |
| | Lease security deposits | 1,649,700 | 3,899,700 |
| | K.E.S.C. | 1,829,694 | 1,829,694 |
| | Other deposits | 1,578,788 | 643,978 |
| | | 5,058,182 | 6,373,372 |
| **16** | **LONG TERM INVESTMENT** | | |
| | Long term investment in subsidiary-unquoted | | |
| | Olympia Power Generation (Pvt) Ltd | | |
| | 9,000 ordinary shares of Rs. 10 each. | | |
| | Break-up value Rs 9,759.3 per share total Rs. 87,833,988 | 44,665,822 | 44,665,822 |
| | (June, 2011 Rs. 8,055.5 per share total Rs. 72,499,677) | 44,665,822 | 44,665,822 |

On February 09, 2008 the Directors of Olympia Power Generation (Pvt) Ltd gifted 9,000 ordinary shares of Rs.10 each which were recorded in the books of the company at a break- up value of Rs. 4,962.869 per shares and credited to capital reserve.

| | | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|---|
| **17** | **STORES, SPARE PARTS AND LOOSE TOOLS** | | | |
| | Stores and spares part | | 10,088,807 | 15,130,684 |
| | Packing material | | 8,519,463 | 6,234,595 |
| | | | 18,608,270 | 21,365,279 |
| **18** | **STOCK IN TRADE** | | | |
| | Raw material | **18.1** | 170,635,883.26 | 155,417,247 |
| | Work in process | | 35,692,308.11 | 14,018,594 |
| | Finished goods | | 22,875,167.48 | 36,999,980 |
| | Waste | | 2,413,336.50 | 1,657,136 |
| | | | 231,616,695.35 | 208,092,957 |

**18.1** The carrying amount of Stock pledged with bank at the balance sheet date amount to Rs 90,254,714 ( 2010: Rs 74,158,404)

| | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|
| **19** | **TRADE DEBTS** | | |
| | Considered good | | |
| | Export - secured | 40,438,808 | 74,750,522 |
| | Local - unsecured | 30,584,395 | 37,161,660 |
| | | 71,023,203 | 111,912,182 |
| | Considered Doubtful | 13,216,205 | - |
| | Less - Provision for Doubtful Debts | (13,216,205) | - |
| | | 71,023,203 | 111,912,182 |
| **20** | **OTHER FINANCIAL ASSETS** | | |
| | Bank Deposits | 18,788,312 | 8,360,223 |
| | | 18,788,312 | 8,360,223 |

The above deposit had been held by bank as collateral security against L/C & Cross current swap contract. This carries markup at the rate from 9.5 % to 11.40% p.a. (2011 : 9.5% p.a.)

| | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|
| **21** | **LOANS AND ADVANCES** | | |
| | Unsecured-considered good | | |
| | Advances | | |
| | To employees | | |
| | Staff | 858,591 | 230,360 |
| | Workers | 1,733,482 | 1,131,951 |
| | | 2,592,073 | 1,362,311 |
| | To suppliers | 34,928,236 | 61,378,059 |
| | To contractors | 4,257,989 | 3,976,771 |
| | Short term deposits and Bank guarantee margins | 32,639,056 | 34,862,178 |
| | Letter of Credit | 156,536 | 326,081 |
| | Freight subsidy receivable | 5,656,659 | 5,656,659 |
| | Provision For Doubtful Debts | (5,656,659) | (5,656,659) |
| | | - | - |
| | Infrastructure Cess Receivable | 12,021,533 | 12,021,533 |
| | | 86,595,424 | 113,926,933 |

| | | Note | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|---|
| **22** | **Income tax and Sales tax** | | | |
| | Sales tax receivable | | 40,605,450 | 12,141,125 |
| | Income tax receivable | | | |
| | Opening Balance | | 18,193,840 | 8,599,695 |
| | Withholding Tax during the year | | 54,545,446 | 46,949,883 |
| | Less: Provision For Taxation | | (59,293,464.35) | (37,355,738) |
| | | | 13,445,821 | 18,193,840 |
| | | | 54,051,272 | 30,334,965 |
| **23** | **OTHER RECEIVABLES** | | | |
| | Central excise duty receivable from banks | | - | 261,487 |
| | Others | | 764,800 | 1,825,633 |
| | Claims receivables | **23.1** | 32,318,756 | 193,676,396 |
| | | | 33,083,556 | 195,763,516 |

**23.1** These represent claims lodged by the company against suppliers for cancellation of raw material contracts. Sum of Rs. 161,357,640 has been received.

| | | Note | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|---|
| **24** | **CASH AND BANK BALANCES** | | | |
| | Cash in hand | | 3,640,824 | 3,379,837 |
| | Cash at bank in current accounts | | 3,712,559 | 4,616,940 |
| | | | 7,353,383 | 7,996,777 |
| **25** | **SALES** | | | |
| | Local | | | |
| | Yarn | | 854,276,590 | 303,144,978 |
| | Raw cotton | | - | 256,117,782 |
| | Waste | | 49,043,159 | 51,361,621 |
| | | | 903,319,749 | 610,624,381 |
| | Export | | | |
| | Yarn | | 1,411,691,475 | 3,761,516,741 |
| | | | 1,411,691,475 | 3,761,516,741 |
| | | | 2,315,011,224 | 4,372,141,122 |
| | Brokerage and commission | | (36,541,067) | (73,888,862) |
| | | | 2,278,470,158 | 4,298,252,260 |
| **26** | **COST OF SALES** | | | |
| | Raw material consumed | **26.1** | 1,644,059,517 | 3,072,060,785 |
| | Packing material consumed | **26.2** | 34,101,272 | 42,289,776 |
| | Stores and spare parts consumed | **26.3** | 31,561,189 | 28,601,884 |
| | Salaries, wages and benefits | **26.4** | 102,689,789 | 144,316,784 |
| | Power and fuel | | 253,438,698 | 198,831,771 |
| | Vehicle running and maintenance | | 1,450,237 | 1,309,920 |
| | Traveling and conveyance | | 50,381 | 94,763 |
| | Repairs and maintenance | | 3,588,361 | 2,776,556 |
| | Insurance | | 5,603,763 | 6,124,070 |
| | Miscellaneous overheads | | 737,863 | 1,666,703 |
| | Depreciation | **14.1.2** | 56,909,921 | 54,561,699 |
| | | | 2,134,190,990 | 3,552,634,711 |
| | Work in process | | | |
| | Opening | | 14,018,594 | 29,588,387 |
| | Closing | | (35,692,308) | (14,018,594) |
| | | | (21,673,714) | 15,569,793 |
| | Cost of goods manufactured | | 2,112,517,276 | 3,568,204,504 |
| | Cost of Cotton Sold | | - | 197,033,531 |
| | Cotton Yarn purchase | | 13,288,500 | 137,157,200 |
| | Finished goods and waste | | | |
| | Opening | | 38,657,116 | 69,429,286 |
| | Closing | | (25,288,504) | (38,657,116) |
| | | | 13,368,612 | 30,772,170 |
| | Cost of sales | | 2,139,174,388 | 3,933,167,405 |
| **26.1** | **RAW MATERIAL CONSUMED** | | | |
| | Opening stock | | 155,417,247 | 104,039,343 |
| | Purchases | | 1,659,278,153 | 3,320,472,220 |
| | | | 1,814,695,400 | 3,424,511,563 |
| | Cost of Cotton Sold | | - | (197,033,531) |
| | Closing stock | | (170,635,883) | (155,417,247) |
| | | | 1,644,059,517 | 3,072,060,785 |

| | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|

**26.2 PACKING MATERIAL CONSUMED**

| | | | |
|---|---|---|---|
| Opening stock | | 6,234,595 | 5,773,887 |
| Purchases | | 36,386,141 | 42,750,484 |
| | | 42,620,735 | 48,524,371 |
| Closing stock | | (8,519,463) | (6,234,595) |
| | | 34,101,272 | 42,289,776 |

**26.3 STORES AND SPARES CONSUMED**

| | | | |
|---|---|---|---|
| Opening stock | | 15,130,684 | 8,739,179 |
| Purchases | | 26,519,312 | 34,993,389 |
| | | 41,649,996 | 43,732,568 |
| Closing stock | | (10,088,807) | (15,130,684) |
| | | 31,561,189 | 28,601,884 |

**26.4** It includes Rs. 1,429,921/- (June 2011: Rs. 1,496,976/-) in respect of staff retirement benefits.

**27 DISTRIBUTION COST**

| | | | |
|---|---|---|---|
| Freight and cartage | | 18,987,886 | 38,348,799 |
| Export Development Surcharge | | 3,297,935 | 10,094,290 |
| | | 22,285,821 | 48,443,089 |

**28 ADMINISTRATIVE AND SELLING EXPENSES**

| | | | |
|---|---|---|---|
| Salaries and other benefits | 28.1 | 17,314,885 | 17,487,655 |
| Rent, rates and taxes | | 3,182,232 | 7,233,061 |
| Electric gas and water | | 1,183,823 | 1,466,102 |
| Postage, telephone and telex | | 1,046,375 | 1,011,493 |
| Printing and stationery | | 548,405 | 448,795 |
| Traveling and conveyance | | 204,620 | 851,901 |
| Legal and professional | | 5,238,815 | 5,971,732 |
| Newspapers and periodicals | | 12,499 | 12,420 |
| Repairs and maintenance | | 536,279 | 1,257,677 |
| Charity and donation | 28.2 | 21,800 | 188,000 |
| Advertisement and publicity | | 84,275 | 54,840 |
| Motor vehicle expenses | | 1,475,313 | 1,376,919 |
| Entertainment | | 885,655 | 1,170,003 |
| Auditor's remuneration: | | | |
| Audit fee | | 605,000 | 550,000 |
| Half yearly review fee | | 109,800 | 99,825 |
| | | 714,800 | 649,825 |
| Miscellaneous | | 472,112 | 260,272 |
| Insurance Expense | | 586,577 | 574,998 |
| Provision for bad debts | | 13,216,205 | 5,656,659 |
| Depreciation | 14.1.2 | 2,789,874 | 2,382,878 |
| | | 49,514,544 | 48,055,229 |

**28.1 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

| | EXECUTIVES | |
|---|---|---|
| | 2012 (Rupees) | 2011 (Rupees) |
| Managerial Remuneration and other Allowances | 6,647,820 | 5,383,315 |
| Number of Persons | 7 | 6 |

**(a)** The Chief Executive and Directors of the company have waived their remuneration and meeting fee.

**(b)** The Chief Executive and two directors of the company are provided with free use of company maintained car and telephone at their residences.

**28.2** Directors and their spouse have no interest in the donees.

**29 OTHER OPERATING INCOME**

| | | | |
|---|---|---|---|
| **Income From Financial Assets** | | | |
| Return on Bank Term Deposits | | 975,869 | 5,911,309 |
| **Income From Non-Financial Assets** | | | |
| Gain / (Loss) on disposal of fixed assets | | (946,963) | 391,111 |
| **Others** | | | |
| Scrap Sales | | 2,713,490 | 2,535,078 |
| Other receipts | | 334,547 | 564,017 |
| Lease of Land, Building & Machinery | | 4,269,073 | - |
| Workers' profit participation fund | | - | (4,230,353) |
| | | 7,346,016 | 5,171,162 |

| | | June 30, 2012<br>RUPEES | June 30, 2011<br>RUPEES |
|---|---|---|---|

**30 FINANCE COST**

| | | | |
|---|---|---|---|
| Interest/mark-up on | | | |
| Long term loans | | 113,463,184 | 113,573,988 |
| Bank running finance | | 19,884,801 | 26,116,070 |
| Worker's profit participation fund | | 592,249 | - |
| Finance charges on lease | | 2,382,618 | 9,151,212 |
| | | 136,322,852 | 148,841,270 |
| Markup on local documents | | 17,698,714 | 29,821,970 |
| LC discounting and Bank charges | | 8,346,207 | 14,717,756 |
| | | 162,367,773 | 193,380,996 |

**31 TAXATION**

| | | | |
|---|---|---|---|
| Current | 31.1 | 21,937,726 | 37,355,738 |
| Prior | | - | (5,623) |
| | | 21,937,726 | 37,350,115 |

**31.1 Current**

The provision for taxation has been made in these financial statement on the basis of section 113 of the income tax ordinance,2001

**32 LOSS PER SHARE - BASIC & DILUTED**

There is no dilutive effect on the basic earnings per share of the company

| | | | |
|---|---|---|---|
| (Loss) / Profit for the year in rupees | | (109,464,080) | 43,026,586 |
| Total number of ordinary shares | | 12,000,000 | 12,000,000 |
| ( Loss ) / Profit per share in rupees- Basic and diluted | | (9.12) | 3.59 |

**33 CASH GENERATED FROM OPERATIONS**

| | | | |
|---|---|---|---|
| (Loss) / Profit before taxation | | (87,526,353) | 80,376,702 |
| Adjustment for non cash charges and other items | | | |
| Depreciation | | 59,699,796 | 56,944,577 |
| Finance cost | | 162,367,773 | 193,380,996 |
| (Gain)/Loss on disposal of fixed assets | | 946,963 | (391,111) |
| Provision for gratuity | | 1,429,921 | 1,496,976 |
| | | 224,444,453 | 251,431,438 |
| Operating profit / (loss) before working capital changes | | 136,918,099 | 331,808,140 |
| (Increase)/decrease in current assets | | | |
| Stock, Store & spare parts | | (20,766,729) | (11,888,153) |
| Trade debts | | 40,888,979 | (1,333,048) |
| Short Term Investments | | (10,428,089) | 65,639,777 |
| Loans and advances | | 27,331,509 | 55,155,809 |
| Refund due from Government | | (28,464,325) | 10,877,049 |
| Other receivables | | 162,679,960 | (190,673,046) |
| | | 171,241,304 | (72,221,612) |
| Increase/(decrease) in current liabilities | | | |
| Trade and other payables | | (43,988,398) | 138,426,322 |
| | | 264,171,005 | 398,012,851 |

**34 TRANSACTION WITH SUBSIDIARY/ASSOCIATED UNDERTAKING**

The related parties and associated undertakings comprise, local associated companies, directors and key management personnel. Transaction with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of their employment are as follows:

| | | |
|---|---|---|
| Purchase of electricity | 34.1 | 268,866,831 |
| Stores Transfer against payable (net) | 34.2 | 11,127,133 |

34.1 This amount represents the purchase of electric power from Olympia Power Generation (Private) Limited.

34.2 Transactions with associated undertakings/subsidiary are carried out on at arms length price.

## 35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The board of directors has overall responsibility for the establishment and oversight of company's risk management framework. The board is also responsible for developing and monitoring the company's risk management policies.

### 35.1 Credit risk

#### 35.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 266.568 million (June 30, 2011 : Rs.488.999 million), financial assets which are subject to credit risk aggregate to Rs. 262.927 million (June 30, 2011 : Rs. 485.619 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

| | 2012<br>Rupees | 2011<br>Rupees |
|---|---|---|
| Long term Investments | 44,665,822 | 44,665,822 |
| Long term deposits | 5,058,182 | 6,373,372 |
| Trade debts | 71,023,203 | 111,912,182 |
| Loans and advances | 86,595,424 | 113,926,933 |
| Trade deposits and short term prepayments | 18,788,312 | 8,360,223 |
| other Receivables | 33,083,556 | 195,763,516 |
| Bank balances | 3,712,559 | 4,616,940 |
| | 262,927,059 | 485,618,988 |

**35.1.2** The maximum exposure to credit risk for trade debts at the balance sheet date by geographical region is as follows.

| | 2012<br>Rupees | 2011<br>Rupees |
|---|---|---|
| Domestic | 30,584,395 | 37,161,660 |
| Export | 40,438,808 | 74,750,522 |
| | 71,023,203 | 111,912,182 |

**35.1.3** The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows.

| | 2012<br>Rupees | 2011<br>Rupees |
|---|---|---|
| Yarn | 59,044,904 | 96,146,131 |
| Waste | 9,306,951 | 2,508,413 |
| Raw Cotton | 2,671,348 | 13,257,638 |
| | 71,023,203 | 111,912,182 |

**35.1.4** The aging of trade debtors at the balance sheet is as follows.

| | 2012<br>Rupees | 2011<br>Rupees |
|---|---|---|
| Not past due | 46,165,082 | 73,862,040 |
| Past due 0 - 30 days | 18,466,033 | 24,620,680 |
| Past due 31 - 90 days | 6,392,088 | 13,429,462 |
| Past due 90 days - 1 year | - | - |
| More than one year | - | - |
| | 71,023,203 | 111,912,182 |
| Impairment | - | - |
| | 71,023,203 | 111,912,182 |

### 35.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

| | 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Contractual Cash flows | Six months or less | Six to twelve months | Two to five years | More than five years |
| | Rupees | | | | | |
| **Non - derivative Financial** | | | | | | |
| Long term financing | 1,131,157,830 | 1,131,157,830 | 27,297,560 | 27,091,883 | 301,815,573 | 774,952,814 |
| Finance lease | 11,109,167 | 11,125,883 | 7,401,421 | 2,125,875 | 1,598,587 | - |
| Trade and other | 647,608,278 | 647,608,278 | 647,608,278 | - | - | - |
| Accrued mark up | 44,481,756 | 44,481,756 | 44,481,756 | - | - | - |
| Short term | 290,776,301 | 290,776,301 | - | 186,614,018 | 104,162,283 | - |
| | 2,125,133,332 | 2,125,150,048 | 726,789,015 | 215,831,776 | 407,576,443 | 774,952,814 |

| | 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Contractual Cash flows | Six months or less | Six to twelve months | Two to five years | More than five years |
| | Rupees | | | | | |
| **Non - derivative Financial** | | | | | | |
| Long term financing | 1,161,296,540 | 1,161,296,540 | 21,429,695 | 24,999,755 | 270,879,639 | 843,987,451 |
| Finance lease | 40,147,391 | 43,342,213 | 17,284,472 | 16,741,176 | 9,316,565 | - |
| Trade and other | 691,596,675 | 691,596,675 | 691,596,675 | - | - | - |
| Accrued mark up / | 34,083,541 | 34,083,541 | 34,083,541 | - | - | - |
| Short term | 254,216,981 | 254,216,981 | - | 150,054,698 | 104,162,283 | - |
| | 2,181,341,128 | 2,184,535,950 | 764,394,383 | 191,795,629 | 384,358,487 | 843,987,451 |

**35.2.1** The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark up rates effective as at June 30. The rates of mark up have been disclosed in relevant notes to these financial statements.

### 35.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The company is exposed to currency risk and interest rate risk only

### 35.3.1 Currency risk

**Exposure to currency risk**

The company is exposed to currency risk on trade debts and import of raw material and stores that are denominated in a currency other than the respective functional currency of the company, primarily in US Dollar. The company's exposure to foreign currency risk is as follows.

| | US Dollar | Rupees |
|---|---|---|
| Trade debts 2012 | 444,138 | 40,438,808 |
| Trade debts 2011 | 871,930 | 74,750,522 |

The following significant exchange rates applied during the year.

| | Average rates | | Reporting date rates | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| US Dollar to Rupee | 91.05 | 85.73 | 96.05 | 86.05 |

**Sensitivity analysis**

5% strengthening of Pak Rupee against the following currencies at June 30, would have increased / (decreased) equity and profit and loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. 5% weakening of Pak Rupee against the above currencies at periods ends would have had the equal but opposites effect on the above currencies to the amount shown below, on the basis that all other variables remain constant.

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| US Dollar | (2,132,975) | (3,751,477) |

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

### 35.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposures arises from short and long term borrowings from bank and term deposits with banks. At reporting date the interest rate profile of the company's interest bearing financial instrument is as follows.

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | - | - |
| Financial liabilities | 1,074,727,421 | 1,111,095,527 |
| **Variable rate instruments** | | |
| Financial assets | 18,788,312 | 8,360,223 |
| Financial liabilities | 301,885,468 | 294,364,372 |

**Fair value sensitivity analysis for fixed rate instruments**

The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at reporting date would not affect profit and loss account.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for June 30, 2011.

| | Profit and loss | |
|---|---|---|
| | 100 bps increase | 100 bps decrease |
| | Rupees | |
| Cash flow sensitivity - variable rate instruments 2012 | 3,018,855 | (3,018,855) |
| Cash flow sensitivity - variable rate instruments 2011 | 2,943,644 | (2,943,644) |

**35.4 Fair value of financial assets and liabilities**

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

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| **35.5 Off balance sheet items** | | |
| Bank guarantees issued in ordinary course of business | 23,570,000 | 22,620,000 |
| Letters of credit for raw material | 52,670,984 | 121,088,740 |

**35.6** The effective rate of interest / mark up for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

**36 CAPITAL RISK MANAGEMENT**

The company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. n order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total capital employed. Borrowings represent long term financing, long term financing from directors and others and short term borrowings. Total capital employed includes total equity as shown in the balance sheet plus borrowings.

| | | 2012 | 2011 |
|---|---|---|---|
| Borrowing | Rupees | 1,378,653,855 | 1,409,231,460 |
| Total | Rupees | (695,734,718) | (589,686,428) |
| Total capital employed | Rupees | 682,919,137 | 819,545,032 |
| Gearing ratio | Percentage | 201.88 | 171.95 |

**37 PLANT CAPACITY AND PRODUCTION:**

| | 2012 | 2011 |
|---|---|---|
| Total number of spindles installed | 44,484 | 44,484 |
| Average No. of spindles worked | 33,316 | 35,568 |
| Number of shifts | 3 | 3 |
| **Actual production for the year in kgs** after conversion into 20/1 count | 9,464,969 | 9,657,247 |
| **Installed capacity for the year in kgs** after conversion into 20/1 count | 15,104,644 | 15,104,644 |

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors. Such as count of yarn spun, spindle speed, twist per inch and raw material used etc. It would also vary according to the pattern of production adopted in a particular year. The capacity of the plant is utilized to the extent of order received.

**38 GENERAL**

Corresponding figures have been rearranged and reclassified, whenever necessary, for better presentation and disclosure.

| | | 2012 Rupees | 2011 Rupees |
|---|---|---|---|
| **Reclassification** | **To** | | |
| **Trade Debts** | **Other Receivables** | | |
| Export Debtors- | Claims receivables | 32,318,756 | 193,676,396 |

**39 DATE OF AUTHORISATION FOR ISSUE**

The Board of directors of the company authorized these financial statements for issue on 06 OCT 2012

**CHIEF EXECUTIVE** **DIRECTOR**

Karachi
Dated: 06 OCT 2012

# DIRECTORS REPORT ON CONSOLDATED FINANCIAL STATEMENTS

The Directors have pleasure in presenting their Annual Consolidated Report along with audited accounts of the Group for year ended June 30, 2012 for your consideration and approval. The Olympia Group comprises financial statement of Olympia Spinning & Weaving Mills Limited and Olympia Power Generation (Pvt) Limited.

The Directors report on the performance of Olympia Spinning & Weaving for the year ended 30 June, 2012 has been presented separately.

**GROUP RSULTS**

The operating results of the period under review has resulted in net loss before taxation of Rs.83,575,792/- with net sales of Rs.4,295,101,021/-

| | **For Year ended June 30, 2012 Rupees** | **For Year ended June 30, 2011 Rupees** |
|---|---|---|
| **Gross Sales** | 2,278,470,158 | 4,298,252,260 |
| **Gross Profit** | 180,879,308 | 392,062,291 |
| **Profit from Operation** | 102,683,184 | 292,203,872 |
| **EPS** | (6.96) | 4.90 |

**OLYMPIA POWER GENERATION (PVT) LIMITED**

Olympia Power Generation (Pvt) Limited, groups subsidiary earns good profit of Rs 25.888 million with sales of Rs 242.325 million and remain successful in achieving its target. The company is expecting continued inflationary pressure during the next year & plans to cope with it by considering alternative source of revenue and internal cost savings.

**ACKNOWLEDGEMENT:**

I would like to place on record the Co-operation shown by our Bankers for their support and without their co-operation, the present results could not have been achieved. The loyalty and devotion of the Staff members and the workers towards the Company is also one of the major factor for achieving the present results.

For and on behalf of the Board

Karachi: 6th October, 2012

M.WAQAR MONNOO
(Chief Executive/Director)

Member of

# MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

407, Commerce Centre, Hasrat Mohani Road, Karachi. Tel: 32638521-4 Fax: 32639843

**Branch Office:** 20-B, Block-G, Gulberg-III, Lahore. Tel: 35884926 Fax: 35843360

Email Address: mushtaq_vohra@hotmail.com

Illinois, USA

## AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising of consolidated balance sheet of **Olympia Spinning & Weaving Mills Limited** (the holding company) and its subsidiary company **Olympia Power Generation (Private) Limited** as at June 30, 2012 consolidated profit and loss account, consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity together with the notes forming part thereof, for the year ended June 30, 2012. We have also expressed a separate opinion on the financial statements of Olympia Spinning & Weaving Mills Limited and its subsidiary company. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures, as we considered necessary in the circumstances. We report that;

(a) Without qualifying our opinion, we draw attention to note 1.2 in the consolidated financial statements which indicates that the company incurred a net loss of Rupees 83.575 million during the year ended June 30, 2012 and, as of that date, the company's current liabilities exceeds its current assets by 532.609 million. These conditions, along with other matters as set forth in note 1.2 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

**MUSHTAQ & COMPANY**
Chartered Accountants
**Engagement Partner:**
Shahabuddin A. Siddiqui
F.C.A

KARACHI:
Date: 06 OCT 2012

**OLYMPIA SPINNING & WEAVING MILLS LIMITED**
**CONSOLIDATED BALANCE SHEET**
**AS AT JUNE 30, 2012**

| | NOTES | JUNE 30, 2012 RUPEES | JUNE 30, 2011 RUPEES |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorized capital | | | |
| 13,000,000 (2011: 13,000,000) Ordinary shares of Rs.10 each. | | 130,000,000 | 130,000,000 |
| Issued, subscribed and paid up capital | 4 | 120,000,000 | 120,000,000 |
| Reserves | 5 | (772,566,550) | (681,852,573) |
| | | (652,566,550) | (561,852,573) |
| Non-Controlling Interest | 6 | 58,555,989 | 48,333,119 |
| Surplus on revaluation of property, plant and equipment | 7 | 1,131,873,456 | 1,097,233,425 |
| **NON CURRENT LIABILITIES** | | | |
| Long term financing | 8 | 1,078,037,139 | 1,116,320,086 |
| Liability against assets subject to finance lease | 9 | 1,996,828 | 8,877,566 |
| Deferred liabilities | 10 | 5,193,080 | 4,588,688 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 11 | 658,084,884 | 691,336,814 |
| Accrued Markup | 12 | 44,481,756 | 34,083,541 |
| Short-term borrowings | 13 | 291,457,854 | 254,740,413 |
| Current portion of | | | |
| - long term financing | | 54,389,443 | 65,236,132 |
| - liabilities against asset subject to finance lease | | 9,112,339 | 31,269,824 |
| | | 1,057,526,276 | 1,076,666,724 |
| **CONTINGENCIES AND COMMITMENTS** | 14 | | |
| | | 2,680,616,217 | 2,790,167,035 |
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | 15 | 2,150,640,520 | 2,073,637,247 |
| Long term deposit | 16 | 5,058,182 | 6,373,372 |
| **CURRENT ASSETS** | | | |
| Stores, spare parts and loose tools | 17 | 19,762,228 | 28,154,093 |
| Stock in trade | 18 | 231,616,695 | 208,092,957 |
| Trade debts | 19 | 71,854,893 | 111,912,182 |
| Other financial assets | 20 | 18,788,312 | 8,300,000 |
| Loans and advances | 21 | 87,375,326 | 119,269,831 |
| Income tax and Sales tax | 22 | 54,846,391 | 30,425,019 |
| Other receivables | 23 | 33,083,556 | 195,763,516 |
| Cash and bank balances | 24 | 7,590,114 | 8,238,818 |
| | | 524,917,515 | 710,156,415 |
| | | 2,680,616,217 | 2,790,167,035 |

The annexed notes form an integral part of these financial statements

**CHIEF EXECUTIVE** **DIRECTOR**

Karachi:
Dated: 06 OCT 2012

**OLYMPIA SPINNING & WEAVING MILLS LIMITED**
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**
**FOR THE YEAR ENDED JUNE 30, 2012**

| | NOTE | For the year ended June 30, 2012 RUPEES | For the year ended June 30, 2011 RUPEES |
|---|---|---|---|
| Sales (net) | 25 | 2,278,470,158 | 4,298,252,260 |
| Cost of sales | 26 | (2,097,590,849) | (3,906,189,970) |
| Gross Profit | | 180,879,308 | 392,062,290 |
| Distribution cost | 27 | (22,285,821) | (48,443,089) |
| Administrative expenses | 28 | (60,718,355) | (55,758,627) |
| Other operating income | 29 | 7,346,016 | 9,401,515 |
| Other operating expenses | 30 | (2,537,966) | (5,058,217) |
| | | (78,196,125) | (99,858,419) |
| Operating Profit | | 102,683,184 | 292,203,871 |
| Long term financing | | | |
| Finance cost | 31 | (164,313,952) | (196,097,754) |
| Net (Loss) / Profit before taxation | | (61,630,768) | 96,106,117 |
| Taxation | 32 | (21,945,024) | (37,350,115) |
| Net (Loss)/ Profit for the year after taxation | | (83,575,792) | 58,756,002 |
| Attributable to: | | | |
| Equity holders of the parent | | (93,931,106) | 52,464,237 |
| Non-Controlling Interest | | 10,355,314 | 6,291,765 |
| | | (83,575,792) | 58,756,002 |
| (Loss) / Earning per share - Basic and diluted | 32 | (6.96) | 4.90 |

The annexed notes form an integral part of these financial statements

**CHIEF EXECUTIVE** **DIRECTOR**

Karachi:
Dated: 06 OCT 2012

**OLYMPIA SPINNING & WEAVING MILLS LIMITED**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED JUNE 30, 2012**

| | For the year ended June 30, 2012 RUPEES | For the year ended June 30, 2011 RUPEES |
|---|---|---|
| **Profit / (Loss) for the year ended after taxation** | (93,931,106) | 58,756,002 |
| **Other Comprehensive Income:** | | |
| Actuarial (Loss) recognised | (7,449,032) | (8,808,841) |
| **Total comprehensive income / (loss) for the year** | **(101,380,139)** | **49,947,161** |

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

**CHIEF EXECUTIVE** **DIRECTOR**

Karachi:
Dated: 06 OCT 2012

**OLYMPIA SPINNING & WEAVING MILLS LIMITED**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED JUNE 30, 2012**

| | PAID UP CAPITAL | REVENUE RESERVE | CAPITAL RESERVE | UN-APPROPRIATED LOSS | SUB-TOTAL | Non-Controlling Interest | TOTAL |
|---|---|---|---|---|---|---|---|
| | RUPEES | | | | | | |
| Balance as at 01-07-2010 | 120,000,000 | 3,580,053 | 44,665,822 | (783,011,835) | (614,765,960) | 42,248,994 | (572,516,966) |
| Total comprehensive income for the year ended June 30, 2011 | - | - | - | 43,343,934 | 43,343,934 | 6,084,125 | 49,428,059 |
| Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation | - | - | - | 9,569,453 | 9,569,453 | - | 9,569,453 |
| Balance as at 30-06-2011 | 120,000,000 | 3,580,053 | 44,665,822 | (730,098,448) | (561,852,573) | 48,333,119 | (513,519,454) |
| Total comprehensive (loss)/ Profit for the year ended June 30, 2012 | - | - | - | (101,380,139) | (101,380,139) | 10,222,870 | (91,157,269) |
| Transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation | - | - | - | 10,121,783 | 10,121,783 | - | 10,121,783 |
| Realisation of Surplus on revaluation of property, plant & equipment on disposal | - | - | - | 544,378 | 544,378 | - | 544,378 |
| Balance as at 30-06-2012 | 120,000,000 | 3,580,053 | 44,665,822 | (820,812,425) | (652,566,550) | 58,555,989 | (594,010,562) |

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

**CHIEF EXECUTIVE** **DIRECTOR**

Karachi:
Dated: 06 OCT 2012

**OLYMPIA SPINNING AND WEAVING MILLS LIMITED**
**CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE YEAR ENDED JUNE 30, 2012**

| | Note | For year ended June30, 2012 RUPEES | For year ended June30, 2011 RUPEES |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 34 | 318,631,702 | 422,421,978 |
| Taxes paid | | (17,215,600) | (46,956,225) |
| Finance cost paid | | (153,915,737) | (404,740,234) |
| Gratuity paid | | (8,456,550) | (10,119,900) |
| Long term deposits | | 1,315,190 | 2,240,000 |
| Net cash from operating activities | | 140,359,005 | (37,154,381) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of property, plant and equipment | | 2,600,000 | 2,990,000 |
| Fixed capital expenditure | | (102,157,290) | (52,428,085) |
| Net cash used in investing activities | | (99,557,290) | (49,438,084) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Long term finance | | (49,129,636) | 548,923,687 |
| Short term borrowings | | 36,717,441 | (415,072,530) |
| Repayment of lease liabilities | | (29,038,224) | (42,951,065) |
| Net cash used in financing activities | | (41,450,419) | 90,900,092 |
| Net increase in cash and cash equivalents | | (648,704) | 4,307,627 |
| Cash and cash equivalents at the beginning of the year | | 8,238,818 | 3,931,191 |
| Cash and cash equivalents at the end of the year. | | 7,590,114 | 8,238,818 |

The annexed notes form an integral part of these financial statements

**CHIEF EXECUTIVE** **DIRECTOR**

Karachi:
Dated: 06 OCT 2012

## 1 The Group and its Operations

### 1.1 THE GROUP AND ITS OPERATIONS:

Olympia Spinning & Weaving Mills Limited (the parent company) was incorporated in Pakistan as a public limited company on October 28, 1960, and its shares are quoted on the Karachi Stock Exchange. The main business of the company is manufacturing and sale of yarn. Olympia Power Generation (Pvt) Limited (the subsidiary) was incorporated in Pakistan as a private limited company on August 30,1994.The Subsidiary is engaged in power generation and sale of electricity. The holding company holds 9,000 equity shares representing 60% shareholding by virtue of gift of shares by directors of subsidiary at free of cost on 9th February, 2008. The registered office of the company is situated at E-3 Farzana Building, 1st floor, Block 7 & 8, Shaheed-e-Millat Road Karachi.

**1.2** The group has incurred a loss for the year ended June 30, 2012 of Rupees 83.576 million (June 30, 2011: profit Rupees 58.756 million) and as of that date, reported accumulated losses of Rupees 652.566 million (June 30, 2011: Rupees 561.852 million). The net assets of company are amounts to Rupees 479.307 million (June 30,2011 : Rupees 535.381 million) and the current liabilities exceeded its current assets by Rupees 532.609 million (June 30, 2011: Rupees 366.510 million) as of that date. These conditions along with adverse key financial ratios and legal cases against the company as mentioned in note 13 (contingencies and commitment) indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. On the basis of five year plan for expansion and increase in sales volume and profitability, management is confident that with better manufacturing facilities and continuous support from directors, they would improve the financial position and restore its profitability. During the year management has also setup a paper plant to support the expansion plan. Banking facilities with Bank alfalah for rescheduling / restructuring is also at final stage. Directors of the company have committed that in case, the decision of the high court and banking court is against the company they will provide finance from their own resources to meet the obligation. Accordingly, these financial statements have been prepared on going concern assumption.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except as disclosed in note 3 :

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest Rupee.

### 2.4 Use Of Estimates And Judgments

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

## 2.5 Standards, interpretations and amendments to published approved accounting standards

### 2.5.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following are new and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year. However, these do not effect financial statements of the Company for the current year.

**IFRS 7 - (Amendments), "Financial Instruments: Disclosures"** emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The application of this amendment has no material impact on the Company's financial statements.

**IAS 1 - (Amendments), "Presentation of financial statements"** clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Accordingly, the Company has presented analysis of other comprehensive income for each component of equity in the statement of changes in equity.

**IAS 24 - (Revised), "Related Party Disclosures"** issued in November 2009 supersedes IAS 24, " Related Party Disclosures" issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government - related entities to disclose details of all transactions with the Government and other government - related entities. The application of this standard has impacted the related party disclosures in the Company's financial statements.

**IAS 27 - (Amendments), "Consolidated and Separate Financial Statements"** clarifies that the consequential amendments from IAS 27 made to IAS 21, "The Effect of Changes in Foreign Exchange Rates", IAS 28, "Investments in Associates" and IAS 31, "Interests in Joint Ventures", apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when IAS 27 is applied earlier. The application of this amendment has no material impact on the Company's financial statements.

**IAS 32 - "Financial Instruments Presentation"** classification of right issues, issued in October 2009 address the accounting for right issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such right issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The application of this amendment has no material impact on the Company's financial statements.

**IFRS 19 - "Extinguishing Financial Liabilities With Equity Instruments"** The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The application of this interpretation ahs no material impact on the Company's financial statements.

**IFRIC 14 - (Amendments) "Prepayments of a Minimum Funding Requirement"** The amendments corrects an un-intended consequence of IFRIC 14, "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction : Without the amendment, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The application of this amendment has no material impact on the Company's financial statements.

### 2.5.2 Approved accounting standards, interpretations and amendments thereto issued but not effective as at the reporting date

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date.

**IFRS 7 - (Amendments) "Financial Instruments Disclosures"** These are applicable on accounting periods beginning or after July 01, 2011. These amendments arise from the IASB's review of off-balance sheet activates. The amendments shall promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfer of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. Earlier application is permitted. The Company shall apply these amendments from January 01 ,2012 and does not expect to have a material impact on its financial statements.

**IFRS 9 - "Financial Instruments"** addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39, " Financial Instruments : Recognition and Measurement", IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains mot of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

**IFRS 12 - "Disclosures of interests in other entities"** This is applicable on accounting periods beginning on or after January 01,2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Company shall apply this standard from January 01, 2013 and does not expect to have a material impact on its financial statements.

**IFRS 13 - "Fair Value measurement"** This is applicable on accounting periods beginning on or after January 01,2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, does not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The company shall apply this standard from January 01, 2013 and does not expect to have a material impact on its financial statements.

**IAS 1 - (Amendments) "Presentation of Financial Statements"** This is applicable on accounting periods beginning on or after July 01,2012. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendments does not address which items are presented in OCI. The Company shall apply this amendment from January 01, 2013 and does not expect to have a material impact on its financial statements.

**IAS 12 - (Amendments) "Income Taxes"** These are applicable on accounting periods beginning on or after January 01,2012. IAS 12 " Income Taxes" currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. it can be difficult and subjective to assess whether recovery shall be through use or through sale when the asset is measured using the fair value model in IAS 40 " Investment property". This amendment therefore introduces an exception to the existing principal for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income Taxes" -recovery of revalued non-depreciable assets", shall no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The Company shall apply these amendments from January 01, 2012 and does not expect to have a material impact on its financial statements.

**IAS 19 - (Amendments) "Employee benefits"** is applicable on accounting periods beginning on or after January 01,2013. The amendments shall eliminate the corridor approach and calculate finance costs on a net funding basis.

**IAS 27 - (Revised 2011) "Separate financial statements"** includes the provisions on separate financial statements that are left after the control provision of IAS 27 have been included in the new IFRS 10. The revised standard is applicable for accounting periods beginning on or after January 01,2013. The Company shall apply this standard from January 01,2013 and does not expect to have a material impact on its financial statements.

## 3 Summary of Significant Accounting Policies

**3.1** Subsidiaries are all entities over which the holding company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The consolidated financial statements includes Olympia Spinning and Weaving Mills Limited and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. He assets and liabilities of subsidiary company have been consolidated on a line-by-line basis and the carrying value of investments are eliminated against subsidiary share capital and pre-acquisition reserves in the consolidated financial statements. Inter-company transactions, balances and unrealized gains on transactions between group company is eliminated in full. Accounting policies of the subsidiary have been changed where necessary to ensure consistency wit the policies adopted by the Group.

**Non Controlling Interest**

Non Controlling interests are that part of the net results of operations and of net assets of subsidiaries attributable to interests which are not owned by the parent company.

### 3.2 Defined benefit plan

The company operates an unfunded gratuity plan for all of its permanent employees, who attain the minimum qualification period for entitlement to gratuity. Provision is made on the basis of actuarial valuation. The most recent actuarial valuation was carried out effective from June 30, 2012 using the Projected Unit Credit Method.

Any actuarial gain or loss recognized during the year if any, recognized in "Statement of Comprehensive Income ".

### 3.3 Taxation

**Current**
Provision for current taxation is made on the taxable income, if any, after taking into account tax credit and tax rebate available.

**Deferred**
Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. The carrying amount of all deferred tax assets are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

### 3.4 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### 3.5 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

### 3.6 Property, plant and equipment

**a) Owned**
Property plant and equipment except land, Building and Plant & Machinery are stated at cost less accumulated depreciation and impairment loss, if any. Land, Building and Plant & Machinery are stated at revalued amount less accumulated depreciation and impairment loss, if any. Depreciation on additions during year is charged on pro-rata basis when the asset is acquired or capitalized. Similarly the depreciation on deletion is charged on pro-rata basis up to the period when the assets is derecognized. The company reviews the rate of depreciation, useful life, residual value of assets for possible impairment on annual basis. Useful lives are determined by the management based on expected usage of assets, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charges and impairment. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

**b) Leased Assets subject to finance lease**
Assets subject to finance lease are initially recorded at the lower of present value of minimum lease payment under the lease agreement and the fair value of the leased asset. The related obligations under the lease less financial charges allocated to future period are shown as a liability. Financial charges are allocated to accounting period in a manner to provide constant periodic rate of charge on the outstanding liability. Capitalized or leased assets are depreciated on the same basis and on the same rate as owned assets. Income arising from sales and lease back transaction, if any, is deferred and is amortized equally over the lease period.

**c) Capital work in progress**
Capital work in progress is stated at cost and represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use intended.

**d) Impairment of fixed assets**
In accordance with IAS 36, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognized in the profit and loss account.

**3.7 Stores, spares and loose tools**

These are valued at lower of cost and net realizable value. Cost is determined by moving average method. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

**3.8 Stock in trade**

These are valued at lower of cost and net realizable value (NRV) except waste which is valued at NRV, cost is determined as follows:

| | |
|---|---|
| **Raw material** | Monthly average except those in transit which are stated at cost comprising invoice value plus other charge incurred thereon |
| **Work in process & Finished goods** | Raw material cost plus appropriate Manufacturing Cost |
| **Waste** | At net realizable value |

Net realizable value signifies the selling price prevailing in the market less selling expenses incidental to sales. .

**3.9 Trade debts**

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

**3.10 Cash and cash equivalent**

Cash in hand, cash at bank and short-term deposits, which are held to maturity, are carried at cost. For the purpose of cash flow statements, cash equivalent are short-term highly liquid instrument that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

**3.11 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently. Financial assets are stated at their nominal value as reduced by the appropriate allowances for estimating irrecoverable amount. Mark up bearing financial liabilities are recorded at the gross proceeds received. Other financial liabilities are stated at their nominal value.

**3.12 Offsetting of financial assets and liabilities**

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

**3.13 Revenue recognition**

Sales are recognized on dispatch of goods to the customers. Dividend income is recognized when right to receive dividend is established. Interest income is recognized on accrual basis.

**3.14 Derivative Financial Instruments**

These are initially recognized at cost and are subsequently remeasured at their fair value. The method of recognizing gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. Derivatives (Other than designated as hedging instrument) with positive market values (unrealized gains) are included in other assets and derivates with negative market values (unrealized).Losses are included in other liabilities in the balance sheet. The resultant gain and losses are included in the income currently.

**3.15 Borrowing**

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are shown as accrued finance cost to the extent of the amount remaining unpaid.

**3.16 Trade and other Payables**

Liabilities for creditors and other amount payables are carried at cost which is the fair value of the consideration to paid in the future for the goods and / or services received, whether or not billed to the company.

**3.17 Dividend and appropriation to reserves**

The dividend distribution and appropriation to reserves is recognized in the period in which, these are approved.

**3.18 Borrowing costs**

Mark up, interest and other charges on borrowing are capitalized up to the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such borrowings. All other mark up, interest and other charges are charged to profit and loss account.

**3.19 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 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. All non - monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

| | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|
| **4** | **ISSUED, SUBSCRIBED AND PAID-UP CAPITAL** | | |
| | 2,200,000 (2011: 2,200,000) Ordinary shares of Rs.10 each alloted for consideration paid in cash | 22,000,000 | 22,000,000 |
| | 200,000 (2011: 200,000) Ordinary shares of Rs.10 each alloted as bonus shares | 2,000,000 | 2,000,000 |
| | 9,600,000 (2011: 9,600,000) Ordinary shares of Rs. 10 each issued as right shares | 96,000,000 | 96,000,000 |
| | | 120,000,000 | 120,000,000 |
| **5** | **RESERVES** | | |
| | Revenue reserve | 3,580,053 | 3,580,053 |
| | Capital Reserve | 44,665,822 | 44,665,822 |
| | Accumulated loss | (820,812,425) | (730,098,448) |
| | | (772,566,550) | (681,852,573) |
| **6** | **NON-CONTROLLING INTEREST** | | |
| | Share Capital | 60,000 | 60,000 |
| | General Reserves | 4,000,000 | 4,000,000 |
| | Accumulated Profit | 54,465,989 | 42,243,119 |
| | | 58,525,989 | 46,303,119 |
| **7** | **SURPLUS ON REVALUATION OF FIXED ASSETS** | | |
| | Balance as at June 30, 2011 | 1,097,233,425 | 1,106,802,878 |
| | Realisation on disposal of fixed asset during the year | (544,378) | - |
| | Transfer to equity on account of incremental depreciation for the year | (10,121,783) | (9,569,453) |
| | Surplus asrising on revaluation during the year | 45,306,192 | - |
| | Balance as at June 30, 2012 | 1,131,873,456 | 1,097,233,425 |

**7.1** During the year the company revalued its Land, Factory Building and Plant and Machinery on market value basis by an independent valuer M/S Consultancy Support & Services, Management Consultant on 21-02-2012. The Current revaluation resulted in a cumulative surplus of Rs. 45.06 (M).The company revalued its Land, Factory building & plant & machinery in 2009 which resulted in surplus of 223.989(M), 50.941(M) & 49.515(M) respectively. The revaluation was carried out under market value basis by an independent value Messer Consultancy Support & Service Management Consultants . The company revalued its leasehold land in 2008 & in 2005 by Messer Imran Associate & Messer Consultancy Support & Service Management Consultants respectively which resulted in net surplus of 252.122(M) & 151.635(M) respectively. The company has further revalued its factory building in the year 2006 by Consultancy Support & Services, Management Consultants, which resulted increase in net surplus of Rs. 122.681 (M).

| | | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|---|
| **8** | **LONG TERM FINANCING** | | | |
| | **From banking companies - secured** | | | |
| | Loan 1. UBL TF (Term Finance) | 8.1 | 61,000,000 | 63,000,000 |
| | Loan 2. UBL NIDF-1 (LC & Usuance/Sight) | 8.2 | 261,824,590 | 263,324,590 |
| | Loan 3. UBL NIDF-II (NICF-HYPO) | 8.3 | 56,000,000 | 59,000,000 |
| | Loan 4. UBL NIDF-III (Finance Against Trust Receipts) | 8.4 | 36,358,893 | 36,358,893 |
| | Loan 5. UBL NIDF-IV (Liability Against Forward Contracts) | 8.5 | 34,545,500 | 34,545,500 |
| | Loan 6.UBL NIDF-V (Cross Currency SWAP) | 8.6 | 53,320,000 | 53,320,000 |
| | Loan 7.UBL NIDF-VI (Recoverable Markup) | 8.7 | 157,672,000 | 157,672,000 |
| | Loan 8 . Askari Bank Ltd. (Term Finance) | 8.8 | 337,659,226 | 355,170,305 |
| | Loan 9 . Askari Bank Ltd. Swapped TF | 8.9 | 832,332 | 2,499,999 |
| | Loan 10 . Askari Bank Ltd. ( Frozen Markup ) | 8.10 | 45,514,880 | 51,204,240 |
| | Loan 11. My Bank Ltd. | 8.11 | 30,000,000 | 35,000,000 |
| | Loan 12. Bank Alfalah Ltd | 8.12 | - | 18,945,926 |
| | | | 1,074,727,421 | 1,130,041,453 |
| | **From related party - unsecured** | | | |
| | Directors loan & others | 8.13 | 57,699,161 | 51,514,765 |
| | | | 57,699,161 | 51,514,765 |
| | Current maturity of long term financing | | (54,389,443) | (65,236,132) |
| | | | 1,078,037,139 | 1,116,320,086 |

| | LOAN | Description | Markup Rate | Original Repayment Period |
|---|---|---|---|---|
| **8.1** | UBL TF (Term Finance) | This restructured long term loan is now repayable in 44 quarterly installments commencing from January 31,2011 and ending on December 31,2020. | 3 months KIBOR+1% with floor of 11% and cap at 13% | 10 years |
| **8.2** | UBL NIDF-1 (LC & Usuance/Sight) | This loan was created by converting previous outstanding L/C liabilities into a long term loan repayable in 44 quarterly installments commencing from January 31,2011 and ending on December 31,2020.The down payment of Rs 10 m is to be paid at the time of execution of this agreement. | 3 months KIBOR+1% with floor of 11% and cap at 13% | 10 years |
| **8.3** | UBL NIDF-II (NICF-HYPO) | The previous hypo facility was converted into long term loan repayable in 44 quarterly installments commencing from January 31,2011 and ending on December 31,2020. | 3 months KIBOR+1% with floor of 11% and cap at 13% | 10 years |
| **8.4** | UBL NIDF-III (Finance Against Trust Receipts) | The previous FATR facility was converted into long term loan repayable in 44 quarterly installments commencing from January 31,2011 and ending on December 31,2020. | 3 months KIBOR+1% with floor of 11% and cap at 13% | 10 years |
| **8.5** | UBL NIDF-IV (Liability Against Forward Contracts) | The previous outstanding liability of forward contract was converted into long term loan repayable in 44 quarterly installments commencing from January 31,2011 and ending on December 31,2020. | 3 months KIBOR+1% with floor of 11% and cap at 13% | 10 years |
| **8.6** | UBL NIDF-V (Cross Currency SWAP) | The previous outstanding liability of cross currency contract wass converted into long term loan repayable in 41 quarterly installments commencing from December 31,2012 and ending on December 31,2022. | None | 10 years |
| **8.7** | UBL NIDF-VI (Recoverable Markup) | The previous outstanding liability of markup was converted into long term loan repayable in 8 quarterly installments commencing from March 31,2021 and ending on December 31,2022. | None | 10 years |
| | **Security (UBL):-** All the UBL loans are secured by memorandum of deposit of titled of Land amounting to Rs. 575.396m, hypothecation of plant & Machinery amounting to Rs. 239.505m and floating charge on all present and futrue current asset of the company up to Rs. 802.459m. These loans are restructured through a consent decree of the Court. | | | |
| **8.8** | Askari Bank Ltd. (Term Finance) | The new term loan of Rs 379.130 m was created by transferring all the outstanding amounts except for running finance of Rs 25.467m, LTF-EOP of Rs 5 m and frozen markup of Rs 61.893 m into a new term loan payable in 40 quarterly installments commencing from 31 March 2010 through a consent court decree. The bank will claim SBP plus 3% markup rate subsidy of Rs 1,807,000/- on behalf of company which will be adjusted against this loan. | Mark-up is chargeable @ 3 months Kibor + 1% bps payable quarterly. | 10 years |
| **8.9** | Askari Bank Ltd. Swapped TF | This restructured LTF-EOP loan with Askari Bank Limited for Rs. 5 million is for three years. Repayments are in 10 equal quarterly installments of Rs.0.416 million ending in December 2012. | Mark up is SBP refinance rate plus 2% payable quarterly. | 3 years |
| **8.10** | Askari Bank Ltd. ( Frozen Markup ) | This loan is part of Askari Bank Limited restructured package by transferring all the outstanding markup of Rs 61.893m into a new loan payable in 40 equal quarterly installments without any further markup charge. | | 10 years |
| | **Security (Askari Bank Limited):-**The loan is secured by first pari passu charge by way of mortgage of Rs 150m over company land and building, specific charge of Rs. 200 million by way of hypothecation over the machinery imported and purchased locally, first pari passu by way of hypothrcation charge of Rs. 310 million over plant and machinery, ranking charge of Rs 40 m over receviables and personal guarantee of three directors. | | | |
| **8.11** | My Bank Ltd. | The outstanding liability of demand finance is rescheduled having two years grace period repayable in 9 half yearly installments commencing from January 31,2011 and ending on January 31,2015. | mark-up at the rate of 6 months kibor plus 4% payable quarterly. | 5 years |
| | **Security (Mybank Ltd):-**The loan is secured by Mortgage charge over fixed assets and hypothecation charge over current assets of the company to extent of Rs. 40 (M) each respectively. | | | |

| | | | | |
|---|---|---|---|---|
| **8.12** | Bank Alfalah Ltd | (a)This represents debt swap arrangements from Bank Al-Falah. The outsatanding amount was repayable in 2 equal installments and term loan wich was repayable in 2 equal installments | LTF-EOP markup rate SBP portion of markup + 3%. Term Loan Rate 17.95% | 1 year |
| | **Security (Bank Alfalah Ltd):-**Both the above loans are secured by 10% margin, first hypothecation charges over generators financed by the bank for Rs.135 (m) and personal guarantees of directors of the company. | | | |

**8.13** The Directors loan is unsecured and interest free and is not repayable in the next twelve months. This loan has been Sub-ordinated to bank loan to the extent of Rs 35 (M).

| | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|
| **9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE** | | |
| Minimum lease payments | | |
| Up to one year | 9,513,240 | 34,025,648 |
| More than one year but less than five years | 2,001,352 | 9,316,565 |
| | 11,514,592 | 43,342,213 |
| Less: Finance cost | | |
| Up to one year | 400,901 | 2,755,824 |
| More than one year but less than five years | 4,524 | 438,999 |
| | 405,425 | 3,194,822 |
| Present value of minimum lease payments | | |
| Up to one year | 9,112,339 | 31,269,824 |
| More than one year but less than five years | 1,996,828 | 8,877,566 |
| | 11,109,167 | 40,147,391 |

**9.1** The company has entered into lease agreements with various leasing companies. The lease agreement contains bargain purchase option. Taxes, repairs and maintenance, insurance and other costs relating to the leased assets are to be borne by the company. The rate of finance charges applied vary from 15.01 % to 17.19 % (June 2011 15.75 % to 17.71 %) per annum.The above liabilities are additionally secured by security deposits and personal guarantee of Directors.

| | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|
| **10 DEFERRED LIABILITIES** | | | |
| Staff retirement benefit-gratuity | 10.1 | 5,193,080 | 4,588,688 |
| Deferred tax | 10.2 | - | - |
| | | 5,193,080 | 4,588,688 |
| **10.1 Movement in the net liability recognized in the balance sheet** | | | |
| **(a)** Opening net liability | | 4,588,688 | 3,855,661 |
| Expense for the year | | 9,060,942 | 10,852,927 |
| | | 13,649,630 | 14,708,588 |
| Contribution paid | | (8,456,550) | (10,119,900) |
| Closing net liability | | 5,193,080 | 4,588,688 |
| **(b) Expense recognized in the profit and loss account excluding actuarial loss** | | | |
| Current service cost | | 959,561 | 1,096,058 |
| Interest cost | | 519,908 | 428,925 |
| | | 1,479,469 | 1,524,983 |

**(c) General description**

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method..

**(d) Principal actuarial assumption**

Following are a few important actuarial assumptions used in the valuation.

| | % | % |
|---|---|---|
| Discount rate | 14 | 14 |
| Expected rate of increase in salary | 5 | 5 |

(e)

| **Historical information** | **2012** | **2011** | **2010** | **2009** | **2008** |
|---|---|---|---|---|---|
| | **RUPEES** | **RUPEES** | **RUPEES** | **RUPEES** | **RUPEES** |
| Present value of the defined obligation | 5,193,080 | 4,588,688 | 3,855,661 | 3,325,531 | 4,663,789 |

**10.2** The company has provided for the current tax based on normal provisions of the income tax ordinance 2001.However,the Company has not provided for deferred tax since the Company's management expects that in consonance with the past trends, future tax liabilities would continue to be finalized under the final tax Regime. Therefore, any timing differences arising during the year are not expected to reverse in future periods.Deferred Tax asset not recognised in the accounts amounting to Rs.13,059,897.

| | | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|---|
| **11** | **TRADE AND OTHER PAYABLES** | | | |
| | Trade creditors | | 208,907,441 | 191,246,556 |
| | Advance From Customers - Export | | 146,072,692 | 205,211,855 |
| | Withholding tax payable | | 237,674 | 45,269 |
| | Bills payable | | 270,274,810 | 264,782,951 |
| | Accrued expenses | | 22,137,590 | 21,770,554 |
| | Worker's profit participation fund | **11.1** | 10,454,677 | 8,279,629 |
| | | | 658,084,884 | 691,336,814 |
| **11.1** | **Worker's profit participation fund** | | | |
| | Balance at the beginning of the year | | 8,279,629 | 2,974,377 |
| | Contribution for the year | | 1,328,479 | 5,058,217 |
| | Markup | | 1,159,148 | 416,413 |
| | | | 10,767,256 | 8,449,007 |
| | Less: Payments During the year | | (312,579) | (169,378) |
| | Balance at the end of the year | | 10,454,677 | 8,279,629 |
| **12** | **ACCRUED MARK-UP** | | | |
| | Long term financing | | 38,110,640 | 24,819,316 |
| | Short term running finance | | 6,371,116 | 9,264,225 |
| | | | 44,481,756 | 34,083,541 |
| **13** | **SHORT TERM BORROWINGS** | | | |
| | Secured-banking companies | 13.1 | 291,457,854 | 254,740,413 |

**13.1** The facilities for running finance available from various banks amounted to Rs.784.886(m) (June 2011:Rs 904.467 (m) and carries mark-up ranging from 12.92% to 14.84% (June 2011:14.35% to 15.78%) per annum payable quarterly. The above facilities are secured by pledge of raw cotton (if any) and hypothecation charge on stock and book debts and personal guarantee of directors.

**14 CONTINGENCIES AND COMMITMENTS**

**14.1 Contingencies**

Bank Al-Falah Ltd had filed a recovery suit No. B131/2009 in the high court of Sindh and in banking court for Rs. 197,675,768 for the loan balances of banking facilities alleging the unauthorized utilization / lifting of pledged stock by the company . The company is defending the case in the high court. Till the finalization of accounts, the management is actively pursuing settlement of dispute. The company received favorable opinion from its legal advisor and as such no provision was made.

**14.2** The company has filed a suit No. B63/2008in High Court of Sindh and obtained Stay Order against settlement of cross currency swap contracts of Rs. 830.5(M) entered into by the company with Standard Chartered bank. The company mainly contests on provision of unwinding cost calculation, mismatched dates of settlement with its long term loans repayments and other procedural non compliance of foreign bank. No provision of unwinding cost of cross currency swap contract of Rs 293.35 (M) has been made in the financial statements. No confirmation was received from bank. Confirmation was sent. The company received favorable opinion from its legal advisor and as such no provision was made.

**14.3** The company had filed a counter recovery suit No. 1614/2010 against Bank Alflah Limited and its muqaddam Asif Associates (Pvt) Ltd in the high court of Sindh for Rs. 172,628,533/- plus interest for recovery of pledged cotton which were in possession and control of defendents.Till the finalization of accounts, no siginificant development has taken place. The company received favorable opinion from its legal advisor and as such no provision was made.

**14.4** The Company with many other exporters filed a petition against the imposition of regulatory duty on its export of yarn. The court has granted interim stay order in favor of the company and allowed export of yarn without regulatory duty against post dated cheques. The unpaid amount of regulatory duty was Rs. 24 million.

**14.5** Cross corporate Guarantee issued in favour of subsidiary company amounts to Rs. 147,264,177

**14.6** Guarantee issued to Excise and taxation officer by bank on behalf of the company amounting to Rs.23.5 million.

**14.7** Guarantee issued in favor of Sui Southern Gas Co. Limited, Karachi for Rs.32.500 million (2011: Rs.32.500 Million)

**14.8** The company along with other captive power companies filed a suit against Sui Southern Gas Company that they should be treated as Independent Power Producers (IPPs) and not Captive Power Companies and should be charged to Rates of IPPs as declared by OGRA. Accordingly High Court of Sindh granted stay order to the company & SSGC is charging IPP rates in gas bills from August 2008. The Company did not recognized the amount of Rs. 164,102,174 being the rate difference between the IPPs and CPCs as the management firmly believes that the case will be decided in companies favour.

| | | | | |
|---|---|---|---|---|
| **14.9** | **Commitments** | | | |
| | Letter of credit - import of cotton | | 52,670,984.35 | 121,088,740 |
| **15** | **PROPERTY, PLANT AND EQUIPMENT** | | | |
| | Operating Assets | 15.1 | 2,150,640,520 | 2,054,211,403 |
| | Capital Work In Progress | 15.2 | - | 19,425,844 |
| | | | 2,150,640,520 | 2,073,637,247 |

**OLYMPIA SPINNING & WEAVING MILLS LIMITED.**

**FOR THE YEAR FROM JULY - 2011 TO JUNE - 2012**

**15.1 OPERATING ASSETS**

| PARTICULARS | COST / REVALUATION (RUPEES) | | | | | | RATE | DEPRECIATION (RUPEES) | | | | | | W.D.V. AS AT 30-06-2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | AS AT 01-07-2011 | ADDITION | DELETION | REVALUATION | TRANSFER | AS AT 30-06-2012 | % | AS AT 01-07-2011 | FOR THE PERIOD | REVALUATION | DELETION | TRANSFER | AS AT 30-06-2012 | |
| **OWNED:** | | | | | | | | | | | | | | |
| LEASE HOLD LAND | 900,689,031 | - | - | - | - | 900,689,031 | | - | - | | | | - | 900,689,031 |
| FACTORY BUILDING | 386,536,028 | 28,485,760 | - | (45,835,688) | - | 369,186,100 | 4% | 33,628,829 | 14,506,279 | (42,756,073) | - | - | 5,379,035 | 363,807,065 |
| PLANT & MACHINERY | 873,993,992 | 60,712,112 | (3,496,500) | (84,885,742) | 56,636,234 | 902,960,096 | 6% | 165,058,913 | 44,338,283 | (133,271,550) | (9,771) | 16,880,165 | 92,996,039 | 809,964,057 |
| OFFICE EQUIPMENT | 8,815,691 | 322,580 | - | - | - | 9,138,271 | 10% | 4,692,594 | 432,035 | | - | - | 5,124,629 | 4,013,642 |
| FACTORY TOOLS & EQUIPMENT | 2,969,976 | 3,281,997 | - | - | - | 6,251,973 | 10% | 1,455,258 | 409,391 | | - | - | 1,864,649 | 4,387,324 |
| FURNITURE & FIXTURE | 6,106,252 | 130,580 | - | - | - | 6,236,832 | 10% | 3,328,310 | 282,518 | | - | - | 3,610,828 | 2,626,004 |
| MOTOR VEHICLE | 13,349,717 | 2,122,425 | (396,000) | - | - | 15,076,142 | 20% | 4,258,104 | 2,084,557 | | (335,766) | - | 6,006,894 | 9,069,248 |
| ARMS & AMMUNITION. | 36,500 | - | - | - | - | 36,500 | 10% | 31,432 | 507 | | - | - | 31,939 | 4,561 |
| Stream Boiler | | 24,402,173 | | | | 24,402,173 | 10% | - | 444,182 | | | | 444,182 | 23,957,991 |
| ELECTRIC & PIPE FITTING | 53,145,581 | 2,125,507 | - | - | - | 55,271,088 | 10% | 31,984,014 | 2,118,744 | | - | - | 34,102,758 | 21,168,330 |
| | 2,245,642,768 | 121,583,135 | (3,892,500) | (130,721,430) | 56,636,234 | 2,289,248,207 | | 244,437,454 | 64,616,495 | (176,027,623) | (345,537) | 16,880,165 | 149,560,954 | 2,139,687,253 |
| **LEASED:** | | | | | | | | | | | | | | |
| PLANT & MACHINERY | 86,449,099 | - | - | - | (56,636,234) | 29,812,865 | 6% | 33,443,013 | 2,296,750 | - | - | (16,880,165) | 18,859,598 | 10,953,267 |
| | 86,449,099 | - | - | - | (56,636,234) | 29,812,865 | | 33,443,013 | 2,296,750 | - | - | (16,880,165) | 18,859,598 | 10,953,267 |
| **TOTAL RUPEES June - 2012** | **2,332,091,867** | **121,583,135** | **(3,892,500)** | **(130,721,430)** | **-** | **2,319,061,072** | | **277,880,467** | **66,913,246** | **(176,027,623)** | **(345,537)** | **-** | **168,420,552** | **2,150,640,520** |
| **TOTAL RUPEES June - 2011** | **2,305,682,087** | **33,002,241** | **(6,592,460)** | **-** | **-** | **2,332,091,868** | **-** | **218,068,396** | **63,805,639** | **-** | **(3,993,571)** | **-** | **277,880,464** | **2,054,211,403** |

**15.1.1** Adjustment of leased machinery represents transfer to owned assets on completion of term of lease.

Depreciation has been allocated as under:

| | June-2012 RUPEES | June-2011 RUPEES |
|---|---|---|
| Manufacturig (Cost of Sales) | 63,669,447 | 61,411,388 |
| Administrative Expenses | 2,799,616 | 2,394,251 |
| Other Operating Expenses | 444,182 | - |
| | **66,913,246** | **63,805,639** |

**15.1.2** Had there been no revaluation the net book value of land and factory building & Plant & Machinery at June 30, 2011 would have been as follows.

| | Cost | Book Value |
|---|---|---|
| Lease hold land | | |
| Factory building on lease hold land | 383,000 | 383,000 |
| Plant & Machinery | 217,326,665 | 208,633,598 |
| As at 30th June 2012 | 544,527,435 | 511,855,789 |
| | **762,237,100** | **720,872,388** |
| As at 30th June 2011 | | |
| | **711,789,428** | **673,039,228** |

**15.1.3 DISPOSAL OF FIXED ASSETS BY COMPANY POLICY**

| Particulars | Original Cost / Revalued Amount | Accumulated Depreciation | Book Value | Sales Proceed | Mode of Sale | Purchaser |
|---|---|---|---|---|---|---|
| **VEHICLES** | | | | | | |
| BOLAN VAN CN-2675 | 396,000 | 335,766 | 60,234 | 100,000 | Negotiations | Mr. Sultan Ansari , House # R-224,Sector -9 North Karachi - Karachi |
| **Plant & Machinery** | | | | | | |
| Murata Mach Coner Machine | 3,496,500 | 9,771 | 3,486,729 | 2,500,000 | Negotiations | Taqees (Pvt.) Limited C-18/B-1 S.I.T.E. Karachi |
| **Total Rupees** | **3,892,500** | **345,537** | **3,546,963** | **2,600,000** | | |

**15.1.4 PROPERTY, PLANT AND EQUIPMENT**

| PARTICULARS | COST / REVALUATION (RUPEES) | | | | | RATE | DEPRECIATION (RUPEES) | | | | | W.D.V. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | AS AT 01-07-2010 | ADDITION | DELETION | TRANSFER | AS AT 30-06-2011 | % | AS AT 01-07-2010 | FOR THE YEAR | DELETION | TRANSFER | AS AT 30-06-2011 | AS AT 30-06-2011 |
| **OWNED:** | | | | | | | | | | | | |
| LEASE HOLD LAND | 900,689,031 | - | | | 900,689,031 | | | | | | - | 900,689,031 |
| FACTORY BUILDING | 386,536,028 | - | | - | 386,536,028 | 4% | 18,924,362 | 14,704,467 | | - | 33,628,829 | 352,907,200 |
| PLANT & MACHINERY | 783,145,754 | 21,422,098 | | 79,426,140 | 883,993,992 | 6% | 103,407,651 | 41,130,493 | | 24,156,516 | 168,694,660 | 715,299,332 |
| OFFICE EQUIPMENT | 8,596,661 | 219,030 | | - | 8,815,691 | 10% | 4,245,093 | 447,501 | | - | 4,692,594 | 4,123,097 |
| FACTORY TOOLS & EQUIPMENT | 2,530,977 | 438,999 | | - | 2,969,976 | 10% | 1,303,026 | 152,232 | | - | 1,455,258 | 1,514,719 |
| FURNITURE & FIXTURE | 6,089,452 | 16,800 | | - | 6,106,252 | 10% | 3,021,386 | 306,924 | | - | 3,328,310 | 2,777,942 |
| MOTOR VEHICLE | 5,691,863 | 10,905,314 | (6,592,460) | 3,345,000 | 13,349,717 | 20% | 4,270,003 | 1,639,265 | (3,993,571) | 2,342,407 | 4,258,104 | 9,091,613 |
| ARMS & AMMUNITION. | 36,500 | - | | - | 36,500 | 10% | 30,869 | 562 | | - | 31,431 | 5,069 |
| ELECTRIC & PIPE FITTING | 53,145,581 | - | | - | 53,145,581 | 10% | 29,632,729 | 2,351,285 | | - | 31,984,014 | 21,161,568 |
| | 2,146,461,848 | 33,002,241 | (6,592,460) | 82,771,140 | 2,255,642,769 | | 164,835,119 | 60,732,727 | (3,993,571) | 26,498,923 | 248,073,199 | 2,007,569,570 |
| **LEASED:** | | | | | | | | | | | | |
| PLANT & MACHINERY | 155,875,239 | | | (79,426,140) | 76,449,099 | 6% | 50,890,870 | 3,072,912 | | (24,156,516) | 29,807,266 | 46,641,833 |
| MOTOR VEHICLES | 3,345,000 | | | (3,345,000) | - | 20% | 2,342,407 | - | - | (2,342,407) | - | - |
| | 159,220,239 | - | | (82,771,140) | 76,449,099 | | 53,233,277 | 3,072,912 | | (26,498,923) | 29,807,266 | 46,641,833 |
| **TOTAL RUPEES June - 2011** | **2,305,682,087** | **33,002,241** | **(6,592,460)** | **-** | **2,332,091,868** | | **218,068,396** | **63,805,639** | **(3,993,571)** | **-** | **277,880,464** | **2,054,211,404** |
| **TOTAL RUPEES June - 2010** | **2,105,877,007** | **14,714,674** | **(3,898,000)** | **(15,553,910)** | **2,112,193,681** | | **105,882,180** | **60,250,262** | **(5,693,865)** | **(5,181,627)** | **160,438,577** | **1,951,755,104** |

| | | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|---|
| **15.2** | **CAPITAL WORK IN PROGRESS** | | | |
| | **Civil Works** | | | |
| | Opening Balance | | 19,425,844 | - |
| | Addition | | 9,059,916 | 19,425,844 |
| | Transfer | | (28,485,760) | - |
| | | | - | 19,425,844 |
| **16** | **LONG TERM DEPOSITS** | | | |
| | Lease security deposits | | 1,649,700 | 3,899,700 |
| | K.E.S.C. | | 1,829,694 | 1,829,694 |
| | Other deposits | | 1,578,788 | 643,978 |
| | | | 5,058,182 | 6,373,372 |
| **17** | **STORES, SPARE PARTS AND LOOSE TOOLS** | | | |
| | Stores and spares part | | 11,242,765 | 21,919,498 |
| | Packing material | | 8,519,463 | 6,234,595 |
| | | | 19,762,228 | 28,154,093 |
| **18** | **STOCK IN TRADE** | | | |
| | Raw material | 18.1 | 170,635,883 | 155,417,247 |
| | Work in process | | 35,692,308 | 14,018,594 |
| | Finished goods | | 22,875,168 | 36,999,980 |
| | Waste | | 2,413,337 | 1,657,136 |
| | | | 231,616,695 | 208,092,957 |

**18.1** The carrying amount of Stock pledged with bank at the balance sheet date amount to Rs 90,254,714

| | | | | |
|---|---|---|---|---|
| **19** | **TRADE DEBTS** | | | |
| | Considered good | | | |
| | Export - secured | | 40,438,808 | 74,750,522 |
| | Local - unsecured | | 31,416,085 | 37,161,660 |
| | | | 71,854,893 | 111,912,182 |
| | Considered Doubtful | | 13,216,205 | - |
| | Less - Provision for Doubtful Debts | | (13,216,205) | - |
| | | | 71,854,893 | 111,912,182 |
| **20** | **OTHER FINANCIAL ASSETS** | | | |
| | Bank Deposits | | 18,788,312 | 8,300,000 |
| | | | 18,788,312 | 8,300,000 |

The above deposit had been held by bank as collateral security against L/C & Cross current swap contract. This carries markup at the rate from 9.5 % to 11.40% p.a. (2011 : 9.5% p.a.)

| | | | | |
|---|---|---|---|---|
| **21** | **LOANS AND ADVANCES** | | | |
| | Unsecured-considered good | | | |
| | Advances | | | |
| | To employees | | | |
| | Staff | | 1,265,712 | 506,699 |
| | Workers | | 1,733,482 | 1,131,951 |
| | | | 2,999,194 | 1,638,650 |
| | To suppliers | | 35,022,821 | 65,986,114 |
| | To contractors | | 4,257,989 | 3,976,771 |
| | Short term deposits and Bank guarantee margins | | 32,639,056 | 35,062,178 |
| | Federal Excise Duty Receivable | | 278,197 | 258,504 |
| | Letter of Credit | | 156,536 | 326,081 |
| | Freight subsidy receivable | | 5,656,659 | 5,656,659 |
| | Provision For Doubtful Debts | | (5,656,659) | (5,656,659) |
| | | | - | - |
| | Infrastructure Cess Receivable | | 12,021,533 | 12,021,533 |
| | | | 87,375,326 | 119,269,831 |
| **22** | **Income tax and Sales tax** | | | |
| | Sales tax receivable | | 41,227,178 | 12,076,381 |
| | Income tax receivable | | | |
| | Opening Balance | | 18,348,638 | 8,742,529 |
| | Withholding Tax during the year | | 54,571,338 | 46,961,847 |
| | Less: Provision For Taxation | | (59,300,762) | (37,355,738) |
| | | | 13,619,213 | 18,348,638 |
| | | | 54,846,391 | 30,425,019 |
| **23** | **OTHER RECEIVABLES** | | | |
| | Central excise duty receivable from banks | | - | 261,487 |
| | Others | | 764,800 | 1,825,633 |
| | Claims receivables | **23.1** | 32,318,756 | 193,676,396 |
| | | | 33,083,556 | 195,763,516 |

**23.1** These represent claims lodged by the company against suppliers for cancellation of raw material contracts. Sum of Rs. 161,357,640 has been received.

| | | | | |
|---|---|---|---|---|
| **24** | **CASH AND BANK BALANCES** | | | |
| | Cash in hand | | 3,663,487 | 3,405,646 |
| | Cash at bank in current accounts | | 3,926,627 | 4,833,172 |
| | | | 7,590,114 | 8,238,818 |

| | | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|---|
| 25 | **SALES** | | | |
| | Local | | | |
| | Yarn | | 854,276,590 | 303,144,978 |
| | Raw cotton | | - | 256,117,782 |
| | Waste | | 49,043,159 | 51,361,621 |
| | | | 903,319,749 | 610,624,381 |
| | Export | | | |
| | Yarn | | 1,411,691,475 | 3,761,516,741 |
| | | | 1,411,691,475 | 3,761,516,741 |
| | | | 2,315,011,224 | 4,372,141,122 |
| | Brokerage and commission | | (36,541,067) | (73,888,862) |
| | | | 2,278,470,158 | 4,298,252,260 |
| 26 | **COST OF SALES** | | | |
| | Raw material consumed | 26.1 | 1,644,059,517 | 3,072,060,785 |
| | Packing material consumed | 26.2 | 34,101,272 | 42,289,776 |
| | Stores and spare parts consumed | 26.3 | 44,048,676 | 32,599,722 |
| | Salaries, wages and benefits | 26.4 | 106,894,163 | 148,300,073 |
| | Power and fuel | | 186,714,348 | 153,804,404 |
| | Vehicle running and maintenance | | 1,761,753 | 1,553,827 |
| | Traveling and conveyance | | 50,381 | 94,763 |
| | Repairs and maintenance | | 4,795,598 | 4,355,314 |
| | Insurance | | 5,774,434 | 7,520,520 |
| | Miscellaneous overheads | | 737,863 | 1,666,703 |
| | Depreciation | 15.1 | 63,669,447 | 61,411,388 |
| | | | 2,092,607,451 | 3,525,657,276 |
| | Work in process | | | |
| | Opening | | 14,018,594 | 29,588,387 |
| | Closing | | (35,692,308) | (14,018,594) |
| | | | (21,673,714) | 15,569,793 |
| | Cost of goods manufactured | | 2,070,933,737 | 3,541,227,069 |
| | Cost of Cotton Sold | | - | 197,033,531 |
| | Cotton Yarn purchase | | 13,288,500 | 137,157,200 |
| | Finished goods and waste | | | |
| | Opening | | 38,657,116 | 69,429,286 |
| | Closing | | (25,288,504) | (38,657,116) |
| | | | 13,368,612 | 30,772,170 |
| | Cost of sales | | 2,097,590,849 | 3,906,189,970 |
| 26.1 | **RAW MATERIAL CONSUMED** | | | |
| | Opening stock | | 155,417,247 | 104,039,343 |
| | Purchases | | 1,659,278,153 | 3,320,472,220 |
| | | | 1,814,695,400 | 3,424,511,563 |
| | Cost of Cotton Sold | | - | (197,033,531) |
| | Closing stock | | (170,635,883) | (155,417,247) |
| | | | 1,644,059,517 | 3,072,060,785 |
| 26.2 | **PACKING MATERIAL CONSUMED** | | | |
| | Opening stock | | 6,234,595 | 5,773,887 |
| | Purchases | | 36,386,141 | 42,750,484 |
| | | | 42,620,735 | 48,524,371 |
| | Closing stock | | (8,519,463) | (6,234,595) |
| | | | 34,101,272 | 42,289,776 |
| 26.3 | **STORES AND SPARES CONSUMED** | | | |
| | Opening stock | | 21,919,498 | 20,161,411 |
| | Purchases | | 33,371,943 | 40,068,925 |
| | | | 55,291,441 | 60,230,336 |
| | Closing stock | | (11,242,765) | (21,919,498) |
| | | | 44,048,676 | 38,310,838 |

26.4 It includes Rs. 1,429,921/- (June 2011: Rs. 1,496,976/-) in respect of staff retirement benefits.

| | | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|---|
| 27 | **DISTRIBUTION COST** | | | |
| | Freight and cartage | | 18,987,886 | 38,348,799 |
| | Export Development Surcharge | | 3,297,935 | 10,094,290 |
| | | | 22,285,821 | 48,443,089 |

| | | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|---|
| **28 ADMINISTRATIVE AND SELLING EXPENSES** | | | |
| Salaries and other benefits | 28.1 | 23,642,997 | 21,961,892 |
| Rent, rates and taxes | | 3,695,156 | 7,712,841 |
| Electric gas and water | | 1,350,464 | 1,618,378 |
| Postage, telephone and telex | | 1,046,375 | 1,011,493 |
| Printing and stationery | | 548,405 | 448,795 |
| Traveling and conveyance | | 2,481,255 | 2,056,566 |
| Legal and professional | | 5,248,815 | 6,048,632 |
| Newspapers and periodicals | | 12,499 | 12,420 |
| Repairs and maintenance | | 536,279 | 1,257,677 |
| Charity and donation | 28.2 | 21,800 | 188,000 |
| Advertisement and publicity | | 84,275 | 54,840 |
| Motor vehicle expenses | | 1,475,313 | 1,376,919 |
| Entertainment | | 2,603,763 | 2,280,274 |
| Auditor's remuneration: | | | |
| Audit fee | | 721,130 | 655,573 |
| Half yearly review fee | | 109,800 | 99,825 |
| | | 830,930 | 755,398 |
| Miscellaneous | | 537,630 | 348,595 |
| Insurance Expense | | 586,577 | 574,998 |
| Provision for bad debts | | 13,216,205 | 5,656,659 |
| Depreciation | 15.1 | 2,799,616 | 2,394,251 |
| | | 60,718,355 | 55,758,627 |

**28.1 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

| | Chief Executive | | Director | | Executives | |
|---|---|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** | **2012** | **2011** |
| Managerial Remuneration and other Allowances | 1,040,000 | 900,000 | 700,000 | 600,000 | 10,008,086 | 9,035,613 |
| | 1,040,000 | 900,000 | 700,000 | 600,000 | 10,008,086 | 9,035,613 |
| Number of Persons | **1** | **1** | **1** | **1** | **11** | **11** |

**(a)** The Chief Executive and Directors of the company have waived their remuneration and meeting fee.

**(b)** The Chief Executive and two directors of the company are provided with free use of company maintained car and telephone at their residences.

**28.2** Directors and their spouse have no interest in the donees.

| | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|
| **29 OTHER OPERATING INCOME** | | |
| **Income From Financial Assets** | | |
| Return on Bank Term Deposits | 975,869 | 5,911,309 |
| **Income From Non-Financial Assets** | | |
| Gain / (Loss) on disposal of fixed assets | (946,963) | 391,111 |
| **Others** | | |
| Scrap Sales | 2,713,490 | 2,535,078 |
| Other receipts | 334,547 | 564,017 |
| Lease of Land, Building & Machinery | 4,269,073 | - |
| | 7,346,016 | 9,401,515 |
| **30 OTHER OPERATING INCOME** | | |
| Loss on sale of steam | 1,209,487 | - |
| Workers' profit participation fund | 1,328,479 | 5,058,217 |
| | 2,537,966 | 5,058,217 |
| **31 FINANCE COST** | | |
| Interest/mark-up on | | |
| Long term loans | 113,915,318 | 115,870,765 |
| Bank running finance | 19,884,801 | 26,116,070 |
| Finance charges on lease | 2,382,618 | 9,151,212 |
| | 136,182,737 | 151,138,047 |
| Markup on WPPF | 1,159,148 | 416,413 |
| Markup on local documents | 17,698,714 | 29,821,970 |
| LC discounting and Bank charges | 9,273,353 | 14,721,324 |
| | 164,313,952 | 196,097,754 |

**32 TAXATION**

| | | | |
|---|---|---|---|
| Current | 32.1 | 21,952,322 | 37,355,738 |
| Prior | | - | (5,623) |
| | | 21,952,322 | 37,350,115 |

**32.1 Current**

The provision for taxation has been made in these financial statement on the basis of section 113 of the income tax ordinance,2001.

| | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|

**33 EARNINGS PER SHARE - BASIC & DILUTED**

There is no dilutive effect on the basic earnings per share of the company

| | | |
|---|---|---|
| Loss for the year in rupees | (83,575,792) | 58,756,002 |
| Total number of ordinary shares | 12,000,000 | 12,000,000 |
| Earnings per share in rupees- Basic and diluted | (6.96) | 4.90 |

| | June 30, 2012 RUPEES | June 30, 2011 RUPEES |
|---|---|---|
| **34 CASH GENERATED FROM OPERATIONS** | | |
| Loss before taxation | (61,630,768) | 96,106,117 |
| Adjustment for non cash charges and other items | | |
| Depreciation | 66,913,246 | 63,805,639 |
| Finance cost | 164,313,952 | 196,097,754 |
| (Gain)/Loss on disposal of fixed assets | 946,963 | (391,111) |
| Provision for gratuity | 1,479,469 | 1,524,983 |
| | 233,653,629 | 261,037,265 |
| Operating profit / (loss) before working capital changes | 172,022,861 | 357,143,382 |
| (Increase)/decrease in current assets | | |
| Stock, Store & spare parts | (15,131,874) | (12,965,851) |
| Trade debts | 40,057,289 | (1,333,048) |
| Short Term Investments | (10,488,312) | 65,700,000 |
| Loans and advances | 31,894,505 | 50,892,657 |
| Refund due from Government | (29,150,797) | 11,969,621 |
| Other receivables | 162,679,960 | (190,673,046) |
| | 179,860,771 | (76,409,666) |
| Increase/(decrease) in current liabilities | | |
| Trade and other payables | (33,251,929) | 141,688,263 |
| | 318,631,702 | 422,421,978 |

**35 TRANSACTION WITH SUBSIDIARY/ASSOCIATED UNDERTAKING**

The related parties and associated undertakings comprise, local associated companies, directors and key management personnel. Transaction with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of their employment are as follows:

| | | |
|---|---|---|
| Purchase of electricity | 35.1 | 268,866,831 |
| Stores Transfer against payable (net) | 35.2 | 11,127,133 |

**35.1** This amount represents the purchase of electric power from Olympia Power Generation (Private) Limited.

**35.2** Transactions with associated undertakings/subsidiary are carried out on at arms length price.

## 36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The board of directors has overall responsibility for the establishment and oversight of company's risk management framework. The board is also responsible for developing and monitoring the company's risk management policies.

### 36.1 Credit risk

#### 36.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 223.750 million (June 30, 2011 : Rs.449.858 million), financial assets which are subject to credit risk aggregate to Rs. 220.087 million (June 30, 2011 : Rs. 446.452 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| Long term deposits | 5,058,182 | 6,373,372 |
| Trade debts | 71,854,893 | 111,912,182 |
| Loans and advances | 87,375,326 | 119,269,831 |
| Trade deposits and short term prepayments | 18,788,312 | 8,300,000 |
| other Receivables | 33,083,556 | 195,763,516 |
| Bank balances | 3,926,627 | 4,833,172 |
| | 220,086,896 | 446,452,073 |

**36.1.2** The maximum exposure to credit risk for trade debts at the balance sheet date by geographical region is as follows.

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| Domestic | 31,416,085 | 37,161,660 |
| Export | 40,438,808 | 74,750,522 |
| | 71,854,893 | 111,912,182 |

**36.1.3** The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows.

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| Yarn | 59,044,904 | 96,146,131 |
| Waste | 9,306,951 | 2,508,413 |
| Raw Cotton | 2,671,348 | 13,257,638 |
| Others | 831,690 | - |
| | 71,854,893 | 111,912,182 |

**36.1.4** The aging of trade debtors at the balance sheet is as follows.

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| Not past due | 46,705,680 | 73,862,040 |
| Past due 0 - 30 days | 18,682,272 | 24,620,680 |
| Past due 31 - 90 days | 6,466,940 | 13,429,462 |
| Past due 90 days - 1 year | - | - |
| More than one year | - | - |
| | 71,854,893 | 111,912,182 |
| Impairment | - | - |
| | 71,854,893 | 111,912,182 |

### 36.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

| | 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Contractual Cash flows | Six months or less | Six to twelve months | Two to five years | More than five years |
| | Rupees | | | | | |
| **Non - derivative Financial liabilities** | | | | | | |
| Long term financing | 1,132,426,582 | 1,131,157,830 | 27,297,560 | 27,091,883 | 301,815,573 | 774,952,814 |
| Finance lease | 11,109,167 | 11,514,592 | 7,384,705 | 2,125,875 | 2,004,012 | - |
| Trade and others payables | 658,084,884 | 658,084,884 | 658,084,884 | - | - | - |
| Accrued mark up and | 44,481,756 | 44,481,756 | 44,481,756 | - | - | - |
| Short term borrowings | 291,457,854 | 291,457,854 | - | 187,295,571 | 104,162,283 | - |
| | 2,137,560,243 | 2,136,696,916 | 737,248,905 | 216,513,329 | 407,981,868 | 774,952,814 |

| | 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Contractual Cash flows | Six months or less | Six to twelve months | Two to five years | More than five years |
| | Rupees | | | | | |
| **Non - derivative Financial liabilities** | | | | | | |
| Long term financing | 1,181,556,218 | 1,161,296,540 | 21,429,695 | 24,999,755 | 270,879,639 | 843,987,451 |
| Finance lease | 40,147,391 | 43,342,213 | 17,284,472 | 16,741,176 | 9,316,565 | - |
| Trade and other payables | 691,336,814 | 691,336,814 | 691,336,814 | - | - | - |
| Accrued mark up / | 34,083,541 | 34,083,541 | 34,083,541 | - | - | - |
| Short term borrowings | 254,740,413 | 254,740,413 | - | 150,578,130 | 104,162,283 | - |
| | 2,201,864,377 | 2,184,799,521 | 764,134,522 | 192,319,061 | 384,358,487 | 843,987,451 |

**36.2.1** The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark up rates effective as at June 30. The rates of mark up have been disclosed in relevant notes to these financial statements.

### 36.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The company is exposed to currency risk and interest rate risk only

### 36.3.1 Currency risk

**Exposure to currency risk**

The company is exposed to currency risk on trade debts and import of raw material and stores that are denominated in a currency other than the respective functional currency of the company, primarily in US Dollar. The company's exposure to foreign currency risk is as follows.

| | US Dollar | Rupees |
|---|---|---|
| Trade debts 2012 | 444,138 | 40,438,808 |
| Trade debts 2011 | 871,930 | 74,750,522 |

The following significant exchange rates applied during the year

| | Average rates | | Reporting date rates | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| US Dollar to Rupee | 91.05 | 85.73 | 96.05 | 86.05 |

**Sensitivity analysis**

5% strengthening of Pak Rupee against the following currencies at June 30, would have increased / (decreased) equity and profit and loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. 5% weakening of Pak Rupee against the above currencies at periods ends would have had the equal but opposites effect on the above currencies to the amount shown below, on the basis that all other variables remain constant.

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| US Dollar | (2,132,975) | (3,751,477) |

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

### 36.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposures arises from short and long term borrowings from bank and term deposits with banks. At reporting date the interest rate profile of the company's interest bearing financial instrument is as follows.

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | - | - |
| Financial liabilities | - | - |
| **Variable rate instruments** | | |
| Financial assets | 18,788,312 | 8,300,000 |
| Financial liabilities | 1,377,294,442 | 1,424,929,257 |

**Fair value sensitivity analysis for fixed rate instruments**

The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at reporting date would not affect profit and loss account.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for June 30, 2011.

| | Profit and loss 100 bps increase | Profit and loss 100 bps decrease |
|---|---|---|
| | Rupees | |
| Cash flow sensitivity - variable rate instruments 2012 | 13,772,944 | (13,772,944) |
| Cash flow sensitivity - variable rate instruments 2011 | 14,249,293 | (14,249,293) |

**36.4 Fair value of financial assets and liabilities**

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

| | 2012 Rupees | 2011 Rupees |
|---|---|---|
| **36.5 Off balance sheet items** | | |
| Bank guarantees issued in ordinary course of business | 23,570,000 | 22,620,000 |
| Letters of credit for raw material | 52,670,984 | 121,088,740 |

**36.6** The effective rate of interest / mark up for the monetary financial assets and liabilities are mentioned in respective notes to the financial

## 37 CAPITAL RISK MANAGEMENT

The company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. n order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total capital employed. Borrowings represent long term financing, long term financing from directors and others and short term borrowings. Total capital employed includes total equity as shown in the balance sheet plus borrowings.

| | | 2012 | 2011 |
|---|---|---|---|
| Borrowings | Rupees | 1,380,604,160 | 1,411,207,890 |
| Total equity | Rupees | (652,566,550) | (561,852,573) |
| Total capital employed | Rupees | 728,037,610 | 849,355,317 |
| Gearing ratio | Percentage | 189.63 | 166.15 |

## 38 PLANT CAPACITY AND PRODUCTION:

| | 2012 | 2011 |
|---|---|---|
| **SPINNING** | | |
| Total number of spindles installed | 44,484 | 44,484 |
| Average No. of spindles worked | 33,316 | 35,568 |
| Number of shifts | 3 | 3 |
| **Actual production of the period in kgs** after conversion into 20/1 count | 9,464,969 | 9,657,247 |
| **Installed capacity of the period in kgs** after conversion into 20/1 count | 15,104,644 | 15,104,644 |

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors. Such as count of yarn spun, spindle speed, twist per inch and raw material used etc. It would also vary according to the pattern of production adopted in a particular year. The capacity of the plant is utilized to the extent of order received.

| | | |
|---|---|---|
| **POWER** | | |
| Installed Capicity | 7MW | 7MW |

## 39 GENERAL

Corresponding figures have been rearranged and reclassified, whenever necessary, for better presentation and disclosure.

| Reclassification from | To | 2012 Rupees | 2011 Rupees |
|---|---|---|---|
| **Trade Debts** | **Other Receivables** | | |
| Export Debtors- secured. | Claims receivables | 32,318,756 | 193,676,396 |

## 40 DATE OF AUTHORISATION FOR ISSUE

The Board of directors of the company authorized these financial statements for issue on 06 OCT 2012

**CHIEF EXECUTIVE** **DIRECTOR**

Karachi:
Dated: 06 OCT 2012

# PROXY FORM

I/We________________________________________________of______________________________________________
(full address)

being member (s) of Olympia Spinning & Weaving Mills Limited hereby appoint

Mr./Mrs.______________________________________________of________________________________________________
(full address) or failing him / her

Mr./Mrs.______________________________________________of______________________________________________
(full address)

(being members of the Company) as my / our Proxy to attend, act and votes for me/us and on my/our behalf at the 51th Annual General Meeting of the Company to be held on Thursday, 30th October, 2012 at Registered Office at E/3, Farzana Building, Block 7& 8, K.C.H.S. Union Limited, Shaheed-e-Millat Road, Karachi-75350 and at any adjournment thereof.

As witness my / our hand / seal this___________________ day of____________________________________2012

_________________________________________________________________

In presence of______________________________________________________________________________________

___________________________________________________

___________________________________________________

Signature and address of witness

Please affix
Correct
Revenue
Stamp

_____________________________________
Signature of Member(s)

Share holder's Folio No. ______________________________ Number of Shares held_______________________

A member entitled to attend, speak and vote at a General Meeting is entitled to appoint a proxy to attenc speak and vote instead of him / her.

The Instrument appointing a proxy shall be in writing under the hand of the appointer or of this / her attorney duly authorised in writing, if the appointer is a Corporation, under its common seal or the hand of an officei or attorney duly authorized. A proxy must be a member of the Company.

The instrument appointing a proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office of the company not less thar 48 hours before the time of holding the Meeting.