CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. S.M. Idrees Allawala	- Chairman
	Mr. Imran Idrees Allawala	- CEO
	Mr. Mansoor Idrees Allawala	- Director
	Mr. Kamran Idrees Allawala	- Director
	Mr. Naeem Idrees Allawala	- Director
	Mr. Muhammad Israil	- Director
	Mrs. Saba Kamran	- Director
AUDIT COMMITTEE	Mr. Mansoor Idrees Allawala	- Chairman
	Mr. Kamran Idrees Allawala	- Member
	Mr. Muhammad Israil	- Member
	Syed Shahid Sultan	- Secretary
CHIEF FINANCIAL OFFICER	Mr. Muhammad Jawaid	
COMPANY SECRETARY	Syed Shahid Sultan	
AUDITORS	M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants	
HUMAN RESOURCE & REMUNERATION COMMITTEE	Kamran Idress Allawala	- Chairman
	Mansoor Idress Allawala	- Member
	Muhammad Ismail	- Member
BANKERS	National Bank of Pakistan Bank Alfalah Limited Habib Metropolitan Bank Ltd. Soneri Bank Limited Silkbank Bank Ltd. Meezan Bank Ltd. United Bank Ltd.	
REGISTERED OFFICE	6-C, Ismail Centre, 1st Floor, Central Commercial Area, Bahadurabad, Karachi - 74800.	
REGISTRAR	M/s. NI Associates (Pvt.) Ltd. 53, Kokan Society Alamgir Road, Karachi	
MILLS	Kot Shah Mohammad, Tehsil Nankana, District Nankana, Punjab.	

Notice is hereby given that the 23rd Annual General Meeting of the Shareholders of Idrees Textile Mills Ltd. will be held on Tuesday, October 30, 2012 at 12.00 noon at Sadabahar, 53 Kokan Society, Alamgir Road/Hyder Ali Road, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting held on October 29, 2011.

2. To receive, consider and adopt Reports of Directors and Auditors together with Audited financial statements of the company for the year ended June 30, 2012.

3. To appoint Auditors for the year ending June 30, 2013 and fix their remuneration. The retiring auditor M/s M. Yousuf Adil Saleem & Company, Chartered Accountants, being eligible, offer themselves for re-appointment

4. To approve cash dividend @10% to minority shareholders, as recommended by the Board of Directors.

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

By order of the Board

Karachi
Dated : October 01, 2012

SYED SHAHID SULTAN
Company Secretary

Notes:

(i) Shareholders are advised to promptly notify any change in their addresses.

(ii) Share Transfer Books of the Company will remain closed from October 26, 2012 to November 03, 2012 (both days inclusive).

(iii) A member eligible to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend, and vote for him/her.

(iv) Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting must bring his/her Original CNIC or Passport to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his / her CNIC OR Passport Representatives of corporate members should bring the usual documents required for such purpose.

(v) An instrument of proxy under which it is signed, in order to be valid must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.

(vi) Under SECP'S directives, dividend warrant should be crossed as "A/c Payee only" and should bear the CNIC Number of the shareholder. Members who have not yet submitted photo copy of their valid CNIC are requested to send the same at the earliest directly to the Company's Share Registrar. Until valid CNIC is received the dividend warrants shall remain withheld.

The Directors of your Company have pleasure in presenting before you the 23rd Annual Report of the Company together with the audited financial statements for the year ended June 30, 2012.

FINANCIAL AND OPERATIONAL RESULTS

During the year under review the Company achieved sales volume of Rs. 1.169 billion as compared to Rs. 1.203 billion during the last year. The gross profit for the year amounted to Rs. 165.959 million compared to Rs.160.159 during the previous year while the net profit after tax for the year amounted to Rs. 33.736 million compared to Rs. 52.059 million for the corresponding period of last year. The decrease in net profit is attributable to high volatility in the price of cotton. The Company has also been able to reduce its finance cost by 14.66% to Rs. 81.873 million (June 2011: Rs. 95.933 million). Operating condition in Pakistan remained tough as economic growth for the year marred by floods, prolonged power outages, rising input costs due to inflationary pressure and adverse security environment. Notwithstanding this, demand of yarn remained resilient. Despite of the above management continued its focus on growth while seeking opportunities and strengthening marketing function.

DIVIDEND

The Directors of the Company are pleased to recommend cash dividend @10% (2011: 10%) i.e. Re.1.00 (Rupee One only) for each share of Rs.10/- to be paid to the minority shareholders.

FUTURE OUTLOOK

Cotton crop prospects are encouraging this year and cotton is likely to be available at import parity. The major issues will continue to be the shortage of energy, higher wages and fragile security environment.

In view of the foregoing, we are keeping a close eye on market situation and taking proactive measures to mitigate the impact of emerging challenges. We have already started producing coarser counts of yarn which will generate better volumes and, in order to maintain quality and process efficiency, a BMR plan is also underway. Maintaining competitiveness through effective cost control will remain the key ingredient for success in the days to come.

AUDITORS

The retiring Auditors M/s M. Yousuf Adil Saleem & Co., Chartered Accountants have offered themselves for re-appointment for the ensuing year 2012-2013. The audit committee in its meeting held on September 28, 2012 has recommended appointment of the retiring auditors.

EARNING PER SHARE

Earnings per share for the year under review worked out to Rs.1.87 as compared to profit per share of Rs.2.88 for the corresponding period.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

(b) Proper books of account of the Company have been maintained.

(c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

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

(e) The system of internal control is sound in design and has been effectively implemented and monitored.

(f) There are no significant doubts upon the Company's ability to continue as a going concern.

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

(h) The book value of investments made by the Employees' Provident Fund, being operated for head office employees only, is Rs.5,800,271/- (2010: Rs.4,527,063/-) as per audited financial statements of the Fund as on June 30, 2011.

Mills employees are entitled to gratuity as per law and appropriate provision has been made in the financial statements.

(i) Key operating and financial data of last six years in a summarized form is annexed.

(j) During the year under review, six Board of Directors meetings were held and attended as follows:

Name of Director	**No. of meetings attended**
Mr. S. M. Idrees Allawala	6
Mr. Imran Idrees Allawala	6
Mr. Mansoor Idrees Allawala	5
Mr. Kamran Idrees Allawala	6
Mr. Naeem Idrees Allawala	5
Mr. Muhammad Israil	6
Mrs. Saba Kamran	6

(k) The statement of pattern of shareholding of the Company as at June 30, 2012 is annexed. This statement is prepared in accordance with the Code of Corporate Governance.

(l) During the year under review trading in shares of the Company by the CEO, Directors and their spouses are as follows:

Name	**No. of shares traded**
Mr. Imran Idrees Allawala	250,500
Mr. Mansoor Idrees Allawala	352,186
Mr. Kamran Idrees Allawala	308,824
Mr. Naeem Idrees Allawala	428,216

VARIATION IN TERMS OF APPOINTMENT OF THE CHAIRMAN, CEO AND EXECUTIVE DIRECTORS

During the year under review the Board approved variation in terms of appointment of Mr. S.M. Idrees Allawala, Chairman, Mr. Imran Idrees Allawala, CEO, Mr. Mansoor Idrees Allawala, Director and Mr. Naeem Idrees Allawala, Director. In compliance of the Companies Ordinance, 1984 an abstract u/s 218 is being circulated to all members of the company.

ACKNOWLEDGEMENT

The directors wish to thank the bankers of the Company for their support and place on record their appreciation for hard work and dedicated services rendered by the employees of the Company during the year.

By order of the Board

S.M. IDREES ALLAWALA
Chairman/Director

Karachi
October 01, 2012

	2007	2008	2009	2010	2011	2012
Sales	613,280,389	864,805,318	751,715,779	1,237,401,725	1,203,111,500	1,169,019,495
Cost of goods sold	(496,240,947)	(710,127,712)	(635,400,434)	(1,056,854,634)	(1,042,952,530)	(1,003,060,782)
Gross Profit	117,039,442	154,677,606	116,315,345	180,547,091	160,158,970	165,958,713
Other operating income/loss	10,637,996	6,778,107	36,769,830	16,979,930	83,003,886	(2,373,975)
	127,677,438	161,455,713	153,085,175	197,527,021	243,162,856	163,584,738
Distribution Cost	(3,678,410)	(3,251,543)	(1,352,706)	(1,080,785)	(3,063,407)	(871,811)
Administration expenses	(24,003,108)	(36,443,279)	(22,831,004)	(25,621,021)	(32,468,721)	(34,409,770)
Other operating expenses	(4,806,715)	(4,725,240)	(496,282)	(6,349,267)	(20,242,315)	(3,888,380)
Finance cost	(68,859,966)	(90,925,540)	(142,607,962)	(112,397,324)	(95,932,992)	(81,873,201)
	(101,348,199)	(135,345,602)	(167,287,954)	(145,448,397)	151,707,435	(121,043,162)
Profit/ (Loss) before taxation	26,329,239	26,110,111	(14,202,779)	52,078,624	91,455,421	42,541,576
Taxation	(5,201,399)	(19,442,721)	8,251,873	(20,486,651)	(39,396,035)	(8,805,417)
Profit/ (Loss) after taxation	21,127,840	6,667,390	(5,950,906)	31,591,973	52,059,386	33,736,159
Other Comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	21,127,840	6,667,390	(5,950,906)	31,591,973	52,059,386	33,736,159
Earning / (Loss) per share	1.17	0.37	(0.33)	1.75	2.88	1.87

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in listing regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited 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. At present, the Board includes:

Category	**Names**
Non-Executive Directors	1. Mr. Kamran Idress Allawala
	2. Mr. Muhammad Israil
	3. Mrs. Saba Kamran
Executive Directors	1. Mr. S. M. Idrees Allawala
	2. Mr. Imran Idrees Allawala
	3. Mr. Mansoor Idrees Allawala
	4. Mr. Naeem Idees Allawala
Independent Directors	--

   The condition of clause 1(b) of the Code in relation to independent director will be applicable after election of next Board of Directors of the Company in October 2014.

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 Development Financial Institution or a Non-banking Financial Institution. None of them are members of any Stock Exchange.

4. No casual vacancy in the Board occurred during the year.

5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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

8. The related party transactions have been placed before the audit committee and are approved by the Board, however, no transactions require justification for non-arm’s length basis.

9. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers, were also circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. No structured orientation course was arranged for directors during the year, however the Board members are aware of their responsibilities, rules and regulations on laws affecting the Company as they are on the Board since many years and also have required minimum educational qualification.

11. No new appointment of Chief Financial Officer (CFO), Company Secretary or Head of Internal Audit has been made during the year.

12. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

14. 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.

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

16. The Board has formed an Audit Committee. It comprises of three members of whom two are non-executive directors. Chairman of the audit committee is an executive director.

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 determined and approved by the Board of Directors and advised to the committee for compliance.

18. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two members including Chairman of the committee are non-executive directors.

19. The Board has set up an effective internal audit function. The staff of Internal Audit department are experienced for the purpose and are conversant with the policies and procedures of the Company.

20. 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 Accountant of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountant of Pakistan.

21. 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.

22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

23. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

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

For and on behalf of the Board of Directors

Karachi

Dated: October 01, 2012

IMRAN IDREES ALLAWALA
Chief Executive Officer

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **IDREES TEXTILE MILLS LIMITED** ("the Company") to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

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

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

Nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012.

We report that Clause (xi) of the Code of Corporate Governance requires that all listed companies shall make appropriate arrangements to carry out orientation courses for their directors to acquaint them with the Code, applicable laws, their duties and responsibilities, however during the year no orientation course has been conducted.

Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Karachi
Date: October 01, 2012

We have audited the annexed balance sheet of IDREES TEXTILE MILLS LIMITED (the Company) as at June 30, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were neccssary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statement 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 statement are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and desposited in the central Zakat Fund established under section 7 of that ordinance.

Chartered Accountants

Engagement Patner:
Mushtaq Ali Hirani
M. Yousuf Adil Saleem & Co.
A member firm of
Deloitte Touche Tohmatsu

Karachi
Date: October 01, 2012

	Note	2012 Rupees	2011 Rupees
SHARE CAPITAL AND RESERVES			
Share capital	3	180,480,000	180,480,000
Unappropriated profit		278,424,564	237,738,616
		458,904,564	418,218,616
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	4	341,784,416	354,972,989
NON-CURRENT LIABILITIES			
Long-term finance			
From banking companies	5	22,000,000	12,037,500
From related parties	6	100,330,001	100,330,001
		122,330,001	112,367,501
Liabilities against assets subject to finance lease	7	58,179,225	5,277,949
Deferred liabilities	8	281,229,596	280,800,013
CURRENT LIABILITIES			
Trade and other payables	9	78,787,058	63,785,685
Interest / mark-up accrued	10	16,408,919	18,236,512
Short term borrowings	11	374,135,024	368,696,933
Current portion of			
long-term finance	5	34,037,500	30,500,000
liabilities against assets subject to finance lease	7	22,707,213	11,164,471
Provision for taxation		12,630,339	17,011,631
		538,706,053	509,395,232
CONTINGENCIES AND COMMITMENTS	12		
		1,801,133,855	1,681,032,300

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

	Note	2012 Rupees	2011 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	13	1,032,681,965	997,894,016
Long-term deposits	14	16,553,984	3,134,028
		1,049,235,949	1,001,028,044
CURRENT ASSETS			
Stores, spares and loose tools	15	24,637,638	30,742,932
Stock-in-trade	16	348,333,277	199,801,013
Trade debts	17	303,445,867	354,986,513
Loans and advances	18	18,041,439	38,812,787
Deposits and short term prepayments	19	580,673	6,248,964
Other receivables	20	9,845,766	10,734,246
Cash and bank balances	21	47,013,246	38,677,801
		751,897,906	680,004,256
		1,801,133,855	1,681,032,300

CHIEF EXECUTIVE OFFICER **DIRECTOR**

	Note	2012 Rupees	2011 Rupees
Sales	22	1,169,019,495	1,203,111,500
Cost of goods sold	23	(1,003,060,782)	(1,042,952,530)
Gross profit		165,958,713	160,158,970
Distribution cost	24	871,811	3,063,407
Administrative expenses	25	34,409,770	32,468,721
Other operating expenses	26	3,888,380	20,242,315
Finance cost	27	81,873,201	95,932,992
Other operating loss / (income)	28	2,373,975	(83,003,886)
		123,417,137	68,703,549
Profit before taxation		42,541,576	91,455,421
Taxation	29	(8,805,417)	(39,396,035)
Profit after taxation		33,736,159	52,059,386
Other comprehensive income for the year		-	-
Total comprehensive income for the year		33,736,159	52,059,386
Earnings per share - basic and diluted	30	1.87	2.88

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

	2012 Rupees	2011 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	42,541,576	91,455,421
Adjustments for :		
Depreciation	73,284,044	74,689,221
Provision for slow moving store items	620,340	-
Provision for staff retirement gratuity	7,390,317	5,371,486
Provision for other receivables	1,631,174	-
Provision for doubtful debts	-	1,694,310
Liabilities written back	-	(4,500,000)
Bad debts written off	-	264,483
Finance cost	81,873,201	95,932,992
Loss / (Gain) on sale of property, plant and equipment	1,367,649	(58,263)
	208,708,301	264,849,650
(Increase) / decrease in current assets		
Stores, spares and loose tools	5,484,954	(6,922,517)
Stock-in-trade	(148,532,264)	100,798,672
Trade debts	51,540,646	25,171,661
Loans and advances	19,010,677	(23,707,101)
Deposits and short-term prepayments	5,668,291	(66,427)
Other receivables	(742,694)	1,273,205
Increase in current liabilities		
Trade and other payables	15,484,987	700,335
	(52,085,403)	97,247,828
Cash generated from operations	156,622,898	362,097,478
Finance cost paid	(83,700,794)	(101,207,242)
Staff retirement gratuity paid	(4,529,150)	(2,297,896)
Income tax paid	(15,120,258)	(13,599,137)
Net cash from operating activities	53,272,696	244,993,203
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(112,895,524)	(12,166,645)
Proceed from disposal of property, plant and equipment	3,455,882	658,021
Long-term deposits	(13,419,956)	3,286,420
Net cash used in investing activities	(122,859,598)	(8,222,204)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance obtained / (repaid) - net	13,500,000	(53,900,000)
Finance lease obtained / (repaid) - net	64,444,018	(23,428,973)
Morabaha finance obtained during the period	1,420,000	-
Dividend paid	(5,459,762)	(5,803,473)
Net cash from / (used in) financing activities	73,904,256	(83,132,446)
Net increase in cash and cash equivalents (A+B+C)	4,317,354	153,638,553
Cash and cash equivalents at beginning of the year	(330,019,132)	(483,657,685)
Cash and cash equivalents at end of the year	(325,701,778)	(330,019,132)
Cash and cash equivalents include:		
Cash and bank balances	47,013,246	38,677,801
Running finance	(233,969,293)	(262,237,633)
Cash finance	(138,745,731)	(106,459,300)
	(325,701,778)	(330,019,132)

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

	Issued, subscribed and paid-up Capital	Unappropriated profit	Total
	……..…………….. Rupees		………………...
Balance at July 01, 2010	180,480,000	167,600,128	348,080,128
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	23,453,722	23,453,722
Transactions with owners			
Final cash dividend for the year ended June 30, 2010 @ Re 1/- per share to minority shareholders	-	(5,374,620)	(5,374,620)
Comprehensive Income			
Profit for the year ended June 30, 2011	-	52,059,386	52,059,386
Other comprehensive income - net of tax	-	-	-
	-	52,059,386	52,059,386
Balance at June 30, 2011	180,480,000	237,738,616	418,218,616
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	11,925,937	11,925,937
Transactions with owners			
Final cash dividend for the year ended June 30, 2011 @ Re 1/- per share to minority shareholders	-	(4,976,148)	(4,976,148)
Comprehensive Income			
Profit for the year ended June 30, 2012	-	33,736,159	33,736,159
Other comprehensive income - net of tax	-	-	-
	-	33,736,159	33,736,159
Balance at June 30, 2012	180,480,000	278,424,564	458,904,564

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

1. GENERAL INFORMATION

1.1 Idrees Textile Mills Limited (the Company) was incorporated in Pakistan as an unquoted public limited company on June 05, 1990 under the Companies Ordinance, 1984 and was listed on Karachi and Lahore Stock Exchanges on April 28, 1992. The registered office of the Company is situated at 6-C, Ismail Centre, 1st floor, Central Commercial Area, Bahadurabad, Karachi, in the Province of Sindh. The principal activity of the Company is manufacturing and sale of yarn. The Company's manufacturing facility is located at Kot Shah Muhammad, District Nankana in the Province of Punjab.

1.2 The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Adoption of New Standards, and Amendments and Interpretations to the published approved accounting standards:

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the financial statements of the Company:

Standards/Amendments/Interpretations	**Effective for periods beginning on or after**
IAS 1 - Presentation of Financial Statements (Amendment)	January 1, 2011
IAS 24 - Related Party Disclosures (Revised)	January 1, 2011
IAS 34 - Interim Financial Reporting (Amendment)	January 1, 2011
IFRS 7 - Disclosures – Transfer of Financial Assets (Amendment)	July 1, 2011
IFRIC 13 - Customer Loyalty Programmes (Amendment)	January 1, 2011
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)	January 1, 2011

2.3 Standards, interpretations and amendments to the published approved accounting standards not yet effective:

The following Standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standard or Interpretation	Effective for periods beginning on or after
IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (Amendment)	July 1, 2012
IAS 12 - Income Taxes – Deferred Tax: Recovery of Underlying Assets (Amendment)	July 1, 2012
IAS 19 - Employee Benefits (Amendment)	January 1, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine (Amendment)	January 1, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Company as the standards and their relevant amendments have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 – First Time Adoption of International Financial Reporting Standards
IFRS 9 – Financial Instruments
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 27 - Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11 (Revised)
IAS 28 - Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11 (Revised)

The potential impact of standards, amendments and interpretations not yet effective on the financial statements on the Company is as follows:

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses in other comprehensive income arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Company's financial statements for annual period beginning on or after January 1, 2013, and the application of amendments may have impact on amounts reported in respect of defined benefit plans. However, management has not performed detailed analysis of the impact of the application of the amendments and hence yet not quantified the extent of the impact.

2.4 Basis of preparation

These financial statements have been prepared under historical cost convention except that certain categories of property, plant and equipment are stated at revalued amounts and certain employee retirement benefits are stated at present value.

2.5 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all its factory workers who have completed the minimum qualifying period of service as defined under the scheme. The Company recognizes the expense and liability on the basis of actuarial recommendation in accordance with IAS-19 "Employee Benefits". The most recent actuarial valuation was carried out at June 30, 2012 using "Projected Unit Credit Method".

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceed 10% of the present value of the Company's obligation are amortised over the average expected remaining working lives of the employees.

Defined contribution plan

The Company operates an approved funded contributory provident fund scheme for all head office staff. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% of basic salary per annum.

2.6 *Taxation*

Current

The charge for current taxation is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effect on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized for all deductible temporary differences and carry forward for unused tax losses, if any, to the extent that it is probable that future taxable profits will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

2.7 *Property, plant and equipment*

Owned

Property, plant and equipment except office equipment, furniture and fixtures, vehicles and capital work-in-progress are stated at revalued amounts less accumulated depreciation and impairment, if any. Office equipment, furniture and fixtures and vehicles are stated at cost less accumulated depreciation and capital work-in-progress is stated at cost less impairment, if any. Depreciation is charged to income applying the straight line method over its estimated useful life at the rates specified in note 13.1.

In respect of additions and disposals of assets during the year, depreciation is charged from the month the asset is available for use and upto the month preceding the disposal respectively.

Gains or losses on disposal of assets, if any, are recognized in profit and loss account as and when incurred.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to unappropriated profit.

All expenditures connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

Assets subject to finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

2.8 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Deferred income on sale and lease back

Deferred income represents the excess of sales proceed over the carrying amount of property, plant and equipment sold under sale and leaseback arrangement that resulted in finance lease. The excess is being amortized over the lease term of the assets.

2.9 Stores, spares and loose tools

These, except for items-in-transit, are valued at moving average cost less allowance for obsolete and slow moving items (if any). Items-in-transit are stated at invoice values plus other charges incurred thereon upto the balance sheet date.

2.10 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value.

Cost signifies in relation to:	
Raw material	At weighted average cost
Stock-in-transit	At cost incurred upto balance sheet date
Work-in-process and finished goods	At average manufacturing cost
Waste stock	At net realizable value.

Average cost in relation to work in process and finished goods signifies average manufacturing cost including a portion of related direct overheads.

Net realizable value (NRV) represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to finished condition and for the estimated cost necessary to make the sale.

Where NRV charge subsequently reverses, the carrying value of the inventory is also increased to the extent that the revised carrying value does not exceed the amount that would have been determined had no NRV charge been recognized. A reversal of NRV is recognized in the profit and loss account.

2.11 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

2.12 Trade and other payables

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

2.13 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

2.14 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the financial statements if, and only if, there is a legally enforceable right to set-off the recognised amounts and there is an intention either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2.15 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset (if any), are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised as an expense in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.16 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditures on qualifying assets is deducted from borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in profit and loss account in the period in which they are incurred.

2.17 Foreign currency translations

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies, are retranslated at the rates prevailing on the balance sheet date.

Gains and losses arising on retranslation are included in profit and loss account.

2.18 Provisions

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

2.19 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in the normal course of business. The following specific recognition criteria must also be met before revenue is recognised:

Sales of goods

Revenue from the sale of goods, net off returns and trade discounts is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

2.20 Dividend distribution

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

2.21 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and balances with banks in current and term deposit accounts, net of short term running finance under markup arrangements.

2.22 Critical judgments and accounting estimates in applying the accounting policies

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about 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. Revision to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of policies are as follows:

- Assumptions used for calculation of gratuity
- Useful lives of property, plant and equipment
- Impairment in property, plant and equipment
- Provision for tax and deferred tax

3. *SHARE CAPITAL*

2012	*2011*		*2012*	*2011*
Number of shares			*Rupees*	*Rupees*
		Authorized		
22,000,000	22,000,000	Ordinary shares of Rs. 10/- each	220,000,000	220,000,000
		Issued, subscribed and paid up		
		Ordinary shares of Rs. 10/- each fully paid		
18,048,000	18,048,000	in cash	180,480,000	180,480,000

3.1 Shares were held by the following associates of the Company at balance sheet date:

	2012	*2011*
	Number of ordinary shares of Rs. 10 each	
Shama Enterprises (Private) Limited	**374,000**	374,000
Bilal Omair Textile Mills (Private) Limited	**300,000**	300,000
	674,000	674,000

4. *SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax*

This represents surplus over book values resulting from the revaluation of property, plant and equipment. Recent revaluation has been carried out on June 30, 2010 by M/s Consultancy Support and Services on the basis of market value or depreciated replacement values as applicable, adjusted by surplus realized on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation.

	2012	**2011**
	Rupees	**Rupees**
Surplus on revaluation of property, plant and equipment at July 01,	**521,041,142**	556,640,729
Increase arising on revaluation of property, plant and equipment	-	-
Transferred to unappropriated profit on account of :		
- incremental depreciation - net of deferred tax	**(11,207,107)**	(23,453,722)
- related deferred tax liability	**(5,871,013)**	(12,145,865)
- disposals - net of deferred tax	**(718,830)**	-
- related deferred tax liability	**(376,570)**	-
	(18,173,520)	(35,599,587)
Surplus on revaluation of property, plant and equipment at June 30,	**502,867,622**	521,041,142

	Note	2012 Rupees	2011 Rupees
Related deferred tax liability:			
Revaluation at beginning of the year		166,068,153	178,214,018
Adjustment due to income subject to final tax regime		1,262,636	-
Transferred to unappropriated profit on account of:			
- incremental depreciation - net of deferred tax		(5,871,013)	(12,145,865)
- disposal - net of deferred tax		(376,570)	-
		161,083,206	166,068,153
		341,784,416	354,972,989

5. *LONG-TERM FINANCE - From Banking Companies*

	Note	2012 Rupees	2011 Rupees
Secured			
Term finance - I	5.1	12,037,500	36,337,500
Term finance - II	5.2	44,000,000	-
Frozen markup	5.3	-	6,200,000
		56,037,500	42,537,500
Current Portion			
Term finance - I		(12,037,500)	(24,300,000)
Term finance - II		(22,000,000)	-
Frozen markup		-	(6,200,000)
		(34,037,500)	(30,500,000)
		22,000,000	12,037,500

5.1 The term finance is subject to markup at the rate of 6 months KIBOR plus 2.5% (2011: 6 months KIBOR plus 2.5%) per annum payable quarterly. The facility is repayable in 1.5 years and is secured against parri passu charge on fixed assets of the Company to the extent of Rs. 44 million. The effective interest rate for the term finance facility is 14.45% to 16.30% (2011: 14.85% to 16.14%).

5.2 The term finance is subject to markup at the rate of 3 months KIBOR plus 2% per annum payable quarterly. The facility is repayable in 2 years and is secured against legal and equitable mortgage over property of the spouse of the director. The effective interest rate for the term finance facility is 13.95%.

5.3 Frozen mark-up was interest free.

6. *LONG-TERM FINANCE - From Related Parties*

	Note	2012 Rupees	2011 Rupees
Unsecured - Interest free	6.1	100,330,001	100,330,001

6.1 These represent loans obtained from directors and an associated undertaking and are not repayable within next twelve months.

7. *LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE*

These represent plant and machinery and vehicles acquired under finance leases from leasing companies and financial institutions. Future minimum lease payments under lease together with the present value of the net minimum lease payments are as follows:-

	2012		2011	
	Minimum lease payments	Present Value	Minimum lease payments	Present Value
	..........Rupees..........			
Within one year	31,573,711	22,707,213	12,285,678	11,164,471
After one year but not more than five years	64,567,544	58,179,225	5,848,659	5,277,949
Total minimum lease payments	96,141,255	80,886,438	18,134,337	16,442,420
Less: Amount representing finance charges	(15,254,817)	-	(1,691,917)	-
Present value of minimum lease payments	80,886,438	80,886,438	16,442,420	16,442,420
Less: Current portion	(22,707,213)	(22,707,213)	(11,164,471)	(11,164,471)
	58,179,225	58,179,225	5,277,949	5,277,949

The rates of markup ranges from 15.42% to 19% (2011: 15.27% to 19%) per annum and are used as discounting factor. The lease terms are 3 years. The Company intends to exercise its option to purchase the leased assets upon completion of the lease period. Liabilities are secured against demand promissory notes and security deposits.

The carrying value of assets held under finance lease approximates its fair value as the rate used for discounting is the rate implicit in the lease.

8. DEFERRED LIABILITIES

	Note	2012 Rupees	2011 Rupees
Deferred taxation	8.1	263,878,440	266,310,024
Staff retirement gratuity	8.2	17,351,156	14,489,989
		281,229,596	280,800,013

8.1 Deferred taxation

	2012 Rupees	2011 Rupees
Opening balance	266,310,024	243,925,619
(Reversal) / charged to profit and loss account	(2,431,584)	22,384,405
Closing balance	263,878,440	266,310,024
This comprises of the following:		
Deferred tax liability on taxable temporary differences arising in respect of:		
- depreciation on property, plant and equipment	113,948,586	114,955,804
- surplus on revaluation of property, plant and equipment	161,083,206	166,068,153
	275,031,792	281,023,957
Deferred tax asset on deductible temporary difference arising in respect of provision against:		
- trade debts	751,864	746,191
- stores and spares	267,085	53,422
- other receivables	1,658,700	1,089,660
- staff retirement gratuity	5,964,876	4,943,694
Minimum turnover tax	2,510,827	7,880,966
	(11,153,352)	(14,713,933)
	263,878,440	266,310,024

Deferred tax represents the management best estimate of the probable benefits expected to be realized and cost expected to be paid in future years .

	Notes	2012 Rupees	2011 Rupees
8.2 Staff retirement gratuity			
Mills	8.2.1	16,998,507	14,137,340
Head Office	8.2.2	352,649	352,649
		17,351,156	14,489,989

8.2.1 Mills - Defined benefit plan

(a) Charge for the year

	2012 Rupees	2011 Rupees
Current service cost	5,845,712	4,262,505
Interest cost	1,544,605	1,167,520
Actuarial gain	-	(58,539)
	7,390,317	5,371,486

(b) Movement in liability

	2012 Rupees	2011 Rupees
Balance at July 01,	14,137,340	11,053,500
Charge for the year	7,390,317	5,371,486
Paid during the year	(4,529,150)	(2,287,646)
Balance as at June 30,	16,998,507	14,137,340

(c) The principal assumptions used are as follows:

	2012	2011
Discount rate (% per annum)	**13**	12
Expected rate of salary increase (% per annum)	**12**	11

(d) Amounts for the current and previous four periods are as follows:

	2012	2011	2010	2009	2008
	...Rupees...				
Actuarial net liability	16,998,507	14,137,340	11,053,500	9,873,875	6,551,114
Present value of the defined benefit obligation	16,998,507	14,137,340	11,053,500	9,873,875	6,551,114

	Notes	2012 Rupees	2011 Rupees
8.2.2 Head office - Defined benefit plan			
Balance at July 01,		352,649	362,899
Paid during the year		-	(10,250)
Balance at June 30,	8.2.2.1	352,649	352,649

8.2.2.1 This amount relates to the unfunded gratuity scheme for the head office staff which has now been freezed as per the Company policy.

	Notes	2012 Rupees	2011 Rupees
9. TRADE AND OTHER PAYABLES			
Creditors		15,196,824	9,474,835
Accrued liabilities		29,744,948	23,983,235
Advance from customers		15,355,177	5,487,325
Workers' profit participation fund	9.2	3,459,190	5,970,689
Workers' welfare fund	9.4	5,744,403	4,231,697
Unclaimed dividend		1,443,125	1,926,739
Infrastructure cess	9.3	7,501,394	12,517,167
Provident fund		195,488	167,269
Others		146,509	26,729
		78,787,058	63,785,685

9.1 Trade payables are non-interest bearing and are normally settled on 90-days term.

9.2 Workers' participation fund

	2012	2011
Balance at July 01,	5,970,689	2,796,919
Allocation during the year	2,375,674	5,603,258
Interest on fund utilized in Company's business	1,083,516	367,431
	9,429,879	8,767,608
Paid during the year	(5,970,689)	(2,796,919)
Balance at June 30,	3,459,190	5,970,689

9.3 The Government of Sindh through Sindh Finance Act, 1994 provided for imposition of an infrastructure fee for development and maintenance of infrastructure on goods entering or leaving the Province through air or sea at prescribed rates. The levy was challenged by the Company along with other companies in the High Court of Sindh through civil suits which were dismissed by the single judge of the High Court of Sindh through its decision in October 2003. On appeal filed there against, the High Court of Sindh has held through an order passed in September 2008 that the levy as imposed through the Sindh Finance Act, 1994 and amended time to time was not valid till December 28, 2006, however, thereafter on account of an amendment in the Sindh Finance (Amendment) Ordinance, 2006, it had become valid and is payable by the Appellants. The Company, along with other companies, filed an appeal in the Supreme Court of Pakistan against the aforementioned order of High Court of Sindh. The Supreme Court granted stay by passing an interim order on January 22, 2009. The order passed by the High Court of Sindh was set aside by the Supreme Court vide its order dated May 20, 2011. Consequently, a new petition has been filed in the High Court of Sindh. Through the interim order passed on May 31, 2011 the High Court has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed.

The management of the Company is confident for a favorable outcome. However, as a matter of prudence, the Company has made provision as follows:

	2012	2011
Balance at July 01,	12,517,167	-
Provision during the year	1,242,827	12,517,167
	13,759,994	12,517,167
Payment made during the year	(6,258,600)	-
Balance at June 30,	7,501,394	12,517,167

9.4 In view of the amendment in the chargeability of Industrial establishment Workers' Welfare Fund (WWF) was made applicable on higher of accounting profit and taxable profit and accordingly the Company was making provision for WWF in its books and financial statements.

During the year, the Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance being unconstitutional. Further, the Company expects that decision of the petition of the similar case in the Honorable High Court of Sindh on the subject will also support this contention. Accordingly the Company is of the opinion that payment of WWF is to be calculated on taxable income. However Company is making provision as a matter of prudence.

	Notes	2012 Rupees	2011 Rupees
10. INTEREST / MARK-UP ACCCRUED			
Long-term finance		1,682,560	1,594,726
Short-term borrowings		14,726,359	16,641,786
		16,408,919	18,236,512
11. SHORT-TERM BORROWINGS			
From banking companies-secured	11.1		
Running finances	11.2	233,969,293	262,237,633
Cash finances	11.3	138,745,731	106,459,300
Murabaha Finances	11.4	1,420,000	-
		374,135,024	368,696,933

11.1 The aggregate unavailed short-term borrowing facilities amounted to Rs. 317.86 million (2011: Rs. 278.3) million.

11.2 These are secured against various assets including first pari passu hypothecation charge over present and future stock-in-trade, first hypothecation charge over present and future book debts, ranking charge on the stocks and receivables of the Company, equitable mortgage on various properties and personal guarantees of all directors of the Company. These running finance are subject to mark up at the rates ranging from KIBOR plus 2% to 4.25% (2011: KIBOR plus 2% to 4%) per annum payable quarterly. The effective interest rate for running finance facilities was 13.91% to 17.79% (2011: 14.79% to 17.52%) per annum.

11.3 These are secured against pledge of cotton, viscose fiber, first hypothecation charge on stock-in-trade and second charge on book debts, equitable mortgage of properties of directors and personal guarantee of directors. These are subject to markup at the rates ranging from KIBOR plus 2% (2011: KIBOR plus 2 to 2.5%) per annum payable quarterly. The effective interest rate for cash finance facilities was 13.85% to 15.80% (2011: 14.29% to 15.52%) per annum.

11.4 These are secured against pledge of cotton and yarn and personal guarantee of directors of the Company. These are subject to markup at the rates ranging from KIBOR plus 1.75% (2011: Nil) per annum. The effective profit rate for murabaha finance was 13.55 % to 13.70% (2011: Nil) per annum.

	Note	2012 Rupees	2011 Rupees
12. CONTINGENCIES AND COMMITMENTS			
12.1 Contingencies			
Letters of guarantee issued by banks on behalf of the Company to:			
- Lahore Electric Supply Company Limited		**15,310,568**	15,310,568
- Sui Northern Gas Pipelines Limited		**24,314,000**	24,314,000
- Excise and Taxation Office		**7,958,600**	16,150,000
12.2 Commitments			
Letters of credit opened and outstanding for import of			
- raw material		**23,721,078**	12,900,000
- stores and spares		**8,698,022**	-
- plant and machinery		**53,866,413**	51,093,632

13. PROPERTY, PLANT AND EQUIPMENT	Note	2012 Rupees	2011 Rupees
Operating assets	13.1	**1,032,681,965**	993,185,385
Capital work-in-progress	13.5	**-**	4,708,631
		1,032,681,965	997,894,016

13.1 Operating Assets

Particulars	Cost/revaluation at July 01, 2011	Additions/ (disposal)	Transfer **	Cost/revaluation at June 30, 2012	Accumulated Depreciation at July 01, 2011	Depreciation/ (adjustment) for the year	Transfer **	Accumulated depreciation at June 30, 2012	Carrying value at June 30, 2012	Dep. rate %
	-Rupees-									
Owned assets										
Land - freehold	43,067,188	-	-	43,067,188	-	-	-	-	**43,067,188**	-
Mills building on freehold land	202,279,839	6,704,595	-	208,984,434	42,430,330	10,449,222	-	52,879,552	**156,104,882**	5
Labour colony on freehold land	21,580,200	-	-	21,580,200	4,322,210	1,079,010	-	5,401,220	**16,178,980**	5
Plant and machinery	1,021,330,954	16,094,041 (6,808,028)	36,000,000	1,066,616,967	340,659,434	52,655,051 (2,500,364)	4,992,234	395,806,355	**670,810,612**	5
Electric installations	66,027,363	-	-	66,027,363	25,273,732	3,301,368	-	28,575,100	**37,452,263**	5
Mills equipment	13,719,521	1,050,000	-	14,769,521	3,229,545	699,101	-	3,928,646	**10,840,875**	5
Office equipment	8,433,386	578,428	-	9,011,814	7,869,005	83,687	-	7,952,692	**1,059,122**	10
Furniture and fixtures	3,594,062	-	-	3,594,062	3,274,214	311,054	-	3,585,268	**8,794**	10
Vehicles	27,574,559	261,036	1,015,000	28,850,595	26,787,890	788,776	879,667	28,456,333	**394,262**	20
	1,407,607,072	24,688,100 (6,808,028)	37,015,000	1,462,502,144	453,846,360	69,367,269 (2,500,364)	5,871,901	526,585,166	**935,916,978**	
Leased assets										
Plant and machinery	36,000,000	92,916,055	(36,000,000)	92,916,055	4,392,234	2,139,568	(4,992,234)	1,539,568	**91,376,487**	5
Vehicles	10,173,500	- (584,000)	(1,015,000)	8,574,500	2,356,593	1,777,207 (68,133)	(879,667)	3,186,000	**5,388,500**	20
	46,173,500	92,916,055 (584,000)	(37,015,000)	101,490,555	6,748,827	3,916,775 (68,133)	(5,871,901)	4,725,568	**96,764,987**	
	1,453,780,572	117,604,155 (7,392,028)	-	1,563,992,699	460,595,187	73,284,044 (2,568,497)	-	531,310,734	**1,032,681,965**	

* All operating assets were revalued at June 30, 2010 except office equipment, furniture and fixtures and vehicles.

** Represents transfer from leased assets to owned assets on maturity of leasing arrangements.

13.1.1 Assets which are fully depreciated having a cost of Rs. 38,141,986/- (2011: Rs. 7,204,679/-)

For comparative period

Particulars	Cost/revaluation at July 01, 2010	Additions/ (disposal)	Transfer *	Cost/revaluation at June 30, 2011	Accumulated Depreciation at July 01, 2010	Depreciation/ (adjustment) for the year	Transfer **	Accumulated depreciation at June 30, 2011	Carrying value at June 30, 2011	Dep. rate %
	---Rupees---									
Owned assets										
Land - freehold	43,067,188	-	-	43,067,188	-	-	-	-	**43,067,188**	-
Mills building on freehold land	202,279,839	-	-	202,279,839	32,316,338	10,113,992	-	42,430,330	**159,849,509**	5
Labour colony on freehold land	21,580,200	-	-	21,580,200	3,243,200	1,079,010	-	4,322,210	**17,257,990**	5
Plant and machinery	976,435,246	10,997,414	33,898,294	1,021,330,954	284,849,196	49,920,958	5,889,280	340,659,434	**680,671,520**	5
Electric installations	66,027,363	-	-	66,027,363	21,972,364	3,301,368	-	25,273,732	**40,753,631**	5
Mills equipment	13,324,521	395,000	-	13,719,521	2,983,371	246,174	-	3,229,545	**10,489,976**	5
Office equipment	7,960,915	472,471	-	8,433,386	7,764,248	104,757	-	7,869,005	**564,381**	10
Furniture and fixtures	3,594,062	-	-	3,594,062	2,914,808	359,406	-	3,274,214	**319,848**	10
Vehicles	23,438,326	211,760	5,084,473	27,574,559	19,264,059	5,093,216	2,990,858	26,787,890	**786,669**	20
		(1,160,000)				(560,243)				
	1,357,707,660	12,076,645	38,982,767	1,407,607,072	375,307,584	70,218,881	8,880,138	453,846,360	**953,760,712**	
		(1,160,000)				(560,243)				
Leased assets										
Plant and machinery	69,898,294	-	(33,898,294)	36,000,000	7,623,294	2,658,220	(5,889,280)	4,392,234	**31,607,766**	5
Vehicles	6,648,473	8,609,500	(5,084,473)	10,173,500	3,535,331	1,812,120	(2,990,858)	2,356,593	**7,816,907**	20
	76,546,767	8,609,500	(38,982,767)	46,173,500	11,158,625	4,470,340	(8,880,138)	6,748,827	**39,424,673**	
	1,434,254,427	20,686,145	-	1,453,780,572	386,466,209	74,689,221	-	460,595,187	**993,185,385**	
		(1,160,000)				(560,243)				

* Represents transfer from leased assets to owned assets on maturity of leasing arrangements.

	Note	2012 Rupees	2011 Rupees
13.2 Depreciation for the year has been allocated as under:			
Cost of goods sold	23	70,323,320	67,319,723
Administrative expenses	25	2,960,724	7,369,498
		73,284,044	74,689,221

13.3 The following asset was disposed off during the year:

Description	Cost/ Revaluation	Accumulated Depreciation	Carrying value	Sale proceed	Mode of disposal	Particulars
	---Rupees---					
Plant and machinery	6,808,028	2,500,364	4,307,664	2,900,000	Negotiation	Sajjad Textile Mills Limited 19-B, Zafar Ali Road, Gulberg V, Lahore
Vehicles	584,000	68,133	515,867	555,882	Insurance Claim	EFU General Insurance Limited, EFU House, M.A. Jinnah Road, Karachi
2012	7,392,028	2,568,497	4,823,531	3,455,882		
2011	1,160,000	560,243	599,757	658,020		

13.4 Had there been no revaluation, the related figures of operating assets as at June 30, 2012 would hav e been as follows:

	2012 Cost	2012 Accumulated Depreciation	2012 Carrying Value	2011 Cost	2011 Accumulated Depreciation	2011 Carrying Value
	---Rupees---					
Land-freehold	8,772,600	-	8,772,600	8,772,600	-	8,772,600
Mills building on freehold land	140,359,650	(74,836,450)	65,523,200	133,655,055	(67,818,467)	65,836,588
Labour colony on freehold land	15,134,513	(13,849,592)	1,284,921	15,134,513	(13,092,867)	2,041,646
Plant and machinery	929,039,119	(513,218,212)	415,820,907	825,316,683	(472,069,967)	353,246,716
Electric installations	44,499,062	(16,577,790)	27,921,272	44,499,062	(14,352,837)	30,146,225
Mills equipment	7,035,977	(3,395,212)	3,640,765	5,985,977	(3,116,163)	2,869,814
	1,144,840,921	(621,877,256)	522,963,665	1,033,363,890	(570,450,301)	462,913,589

	Note	2012 Rupees	2011 Rupees
13.5 CAPITAL WORK-IN-PROGRESS			
Civil work		-	3,568,631
Plant and machinery		-	1,140,000
		-	4,708,631

14. LONG-TERM DEPOSITS

	Note	2012 Rupees	2011 Rupees
Deposits			
- lease		14,526,481	6,653,175
- others		2,082,403	1,982,353
		16,608,884	8,635,528
Less: Current portion	19	(54,900)	(5,501,500)
		16,553,984	3,134,028

15. STORES, SPARES AND LOOSE TOOLS

	Note	2012 Rupees	2011 Rupees
Stores		11,145,016	8,081,550
Spares		14,204,957	14,204,537
Stores and spares in transit		-	8,548,840
Loose tools		64,585	64,585
		25,414,558	30,899,512
Less: Provision for slow-moving items	15.1	(776,920)	(156,580)
		24,637,638	30,742,932

15.1 Movement in provision for slow-moving items

Balance at July 1,	156,580	156,580
Provision made during the year	620,340	-
Balance at June 30,	776,920	156,580

16. STOCK-IN-TRADE

	Note	2012 Rupees	2011 Rupees
Raw material - in hand	16.1	136,747,911	67,860,810
- in transit		65,169,899	-
Work in process	16.1	21,622,605	25,536,166
Finished goods	16.2	121,738,741	103,492,870
Waste		3,054,121	2,911,167
		348,333,277	199,801,013

16.1 Net realizable value of raw material and work in process were lower than their cost, which resulted in write-downs of Nil (2011: Rs 2,242,635/-) and Nil (2011: Rs.902,143/-) respectively charged to cost of sales.

16.2 Net realizable value of finished goods were lower than their cost, which resulted in write downs of Rs. 2,464,461/- (2011: 15,495,933/-) charged to cost of sales.

17. TRADE DEBTS

	Note	2012 Rupees	2011 Rupees
Considered good	17.1	303,445,867	354,986,513
Considered doubtful		2,187,089	2,187,089
		305,632,956	357,173,602
Less: Provision for doubtful debts	17.2	(2,187,089)	(2,187,089)
		303,445,867	354,986,513

17.1 Trade debts are non-interest bearing and are generally on 60 to 90 days terms.

	2012 Rupees	2011 Rupees
17.2 Movement in provision for doubtful debts		
Balance at July 1,	2,187,089	228,296
Provision made during the year	-	2,223,276
Written off during the year	-	(264,483)
Balance at June 30,	2,187,089	2,187,089

17.3 Trade debts include debtors with a carrying amount of Rs. 89 million (2011: Rs. 254.3 million) which are past due at the reporting date for which the Company has not made any provision for doubtful recovery as there has not been a significant change in credit quality and the amounts are still considered recoverable.

	Note	2012 Rupees	2011 Rupees
17.4 Ageing of due over 90 days of date of invoice but not impaired			
91-180 days		44,557,955	250,999,229
181 and above		44,444,867	3,306,411
		89,002,822	254,305,640

18. LOANS AND ADVANCES

Considered good

	Note	2012 Rupees	2011 Rupees
Loan to employees - unsecured		647,251	485,308
Advances - unsecured			
to suppliers		3,991,947	23,599,499
for expenses		973,763	538,831
		4,965,710	24,138,330
Advance income tax		12,428,478	14,189,149
		18,041,439	38,812,787

19. DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2012 Rupees	2011 Rupees
Current portion of long-term deposits	14	54,900	5,501,500
Prepayments		525,773	747,464
		580,673	6,248,964

20. OTHER RECEIVABLES

	Note	2012 Rupees	2011 Rupees
Sales tax			
- Considered good		7,198,577	4,726,629
- Considered doubtful		2,507,844	999,455
Export rebate - considered doubtful		2,194,344	2,194,344
Margin against letters of guarantee		500,000	3,067,070
Margin against murabaha fianancing		142,000	-
Cotton quality and weight claims - considered doubtful		122,785	122,785
Profit on deposits		1,856,925	1,832,444
Mark-up subsidy		148,264	985,318
		14,670,739	13,928,045
Less: Provision for doubtful receivables	20.1	(4,824,973)	(3,193,799)
		9,845,766	10,734,246

	Note	2012 Rupees	2011 Rupees
20.1 Movement in provision for doubtful receivables			
Balance at July 1,		3,193,799	3,193,799
Provision made during the year		1,631,174	-
Balance at June 30,		4,824,973	3,193,799

21. CASH AND BANK BALANCES

	Note	2012 Rupees	2011 Rupees
Cash in hand		727,101	455,186
Cash at banks			
- in current accounts		2,767,001	6,970,213
- in term deposit accounts	21.1	43,457,053	31,227,559
- in saving account	21.2	62,091	24,843
		47,013,246	38,677,801

21.1 This represents term deposit receipts with various banks for a period ranging from six months to two years carrying mark-up at the rate ranging from 5.8% to 12.0% (2011: 5.8% to 9.5%) per annum. The banks have lien on these term deposit receipts on account of guarantees provided by such banks.

21.2 Effective mark-up rate is 5% to 6% (2011: 5.09%) per annum.

22. SALES

	Note	2012 Rupees	2011 Rupees
Local:			
Yarn		1,147,109,164	1,140,290,957
Waste		24,815,517	67,250,052
		1,171,924,681	1,207,541,009
Less: Brokerage, commission and discount		(2,905,186)	(4,429,509)
		1,169,019,495	1,203,111,500

23. COST OF GOODS SOLD

	Note	2012 Rupees	2011 Rupees
Raw material	23.1	601,374,991	648,756,829
Salaries, wages and benefits	23.2	101,728,386	95,575,197
Fuel and power		169,479,940	148,498,571
Stores and spares		38,170,380	32,638,132
Packing material		22,341,303	17,440,612
Repairs and maintenance		3,682,600	2,029,265
Insurance		5,149,913	4,648,422
Depreciation	13.2	70,323,320	67,319,723
Other manufacturing overheads		4,664,873	3,472,973
Provision for slow moving store items		620,340	-
		416,161,055	371,622,895
		1,017,536,046	1,020,379,724
Work-in-process			
Opening stock		25,536,166	16,460,324
Closing stock		(21,622,605)	(25,536,166)
		3,913,561	(9,075,842)
		1,021,449,607	1,011,303,882

	Note	2012 Rupees	2011 Rupees
20.1 Movement in provision for doubtful receivables			
Balance at July 1,		3,193,799	3,193,799
Provision made during the year		1,631,174	-
Balance at June 30,		4,824,973	3,193,799

21. CASH AND BANK BALANCES

	Note	2012 Rupees	2011 Rupees
Cash in hand		727,101	455,186
Cash at banks			
- in current accounts		2,767,001	6,970,213
- in term deposit accounts	21.1	43,457,053	31,227,559
- in saving account	21.2	62,091	24,843
		47,013,246	38,677,801

21.1 This represents term deposit receipts with various banks for a period ranging from six months to two years carrying mark-up at the rate ranging from 5.8% to 12.0% (2011: 5.8% to 9.5%) per annum. The banks have lien on these term deposit receipts on account of guarantees provided by such banks.

21.2 Effective mark-up rate is 5% to 6% (2011: 5.09%) per annum.

22. SALES

	Note	2012 Rupees	2011 Rupees
Local:			
Yarn		1,147,109,164	1,140,290,957
Waste		24,815,517	67,250,052
		1,171,924,681	1,207,541,009
Less: Brokerage, commission and discount		(2,905,186)	(4,429,509)
		1,169,019,495	1,203,111,500

23. COST OF GOODS SOLD

	Note	2012 Rupees	2011 Rupees
Raw material	23.1	601,374,991	648,756,829
Salaries, wages and benefits	23.2	101,728,386	95,575,197
Fuel and power		169,479,940	148,498,571
Stores and spares		38,170,380	32,638,132
Packing material		22,341,303	17,440,612
Repairs and maintenance		3,682,600	2,029,265
Insurance		5,149,913	4,648,422
Depreciation	13.2	70,323,320	67,319,723
Other manufacturing overheads		4,664,873	3,472,973
Provision for slow moving store items		620,340	-
		416,161,055	371,622,895
		1,017,536,046	1,020,379,724
Work-in-process			
Opening stock		25,536,166	16,460,324
Closing stock		(21,622,605)	(25,536,166)
		3,913,561	(9,075,842)
		1,021,449,607	1,011,303,882

	Note	2012 Rupees	2011 Rupees
Cost of goods manufactured			
Finished goods			
Opening stock		106,404,037	138,052,685
Closing stock		(124,792,862)	(106,404,037)
		(18,388,825)	31,648,648
		1,003,060,782	1,042,952,530

23.1 Raw material consumed

Opening stock	67,860,810	140,848,969
Purchases and purchase expenses	735,431,991	575,768,670
	803,292,801	716,617,639
Closing stock	(201,917,810)	(67,860,810)
	601,374,991	648,756,829

23.2 Salaries, wages and benefits include Rs. 7.39 million (2011: Rs. 5.37 million) in respect of staff retirement benefits.

24. *DISTRIBUTION COST*

	Note	2012 Rupees	2011 Rupees
Freight and octroi		198,500	1,988,920
Commission and other charges		631,661	1,025,492
Clearing and forwarding		41,650	48,995
		871,811	3,063,407

25. *ADMINISTRATIVE EXPENSES*

	Note	2012 Rupees	2011 Rupees
Salaries and benefits	25.1	16,780,997	13,355,106
Traveling and conveyance		1,112,742	1,835,113
Postage and telephone		1,638,922	1,421,344
Electricity, gas and water		1,371,339	1,070,612
Vehicles running and maintenance		331,153	1,129,529
Depreciation	13.2	2,960,724	7,369,498
Legal and professional		527,271	399,661
Fees, subscription and periodicals		1,010,481	437,256
Printing and stationery		349,075	349,306
Computer		541,285	64,466
Rest house		245,241	199,475
Advertisement		65,107	253,712
Repairs and maintenance		112,000	117,000
Entertainment		3,861,491	741,976
Auditors' remuneration	25.2	806,000	706,000
Provision for doubtful debts	17.2	-	2,223,276
Provision for doubtful other receivables		1,631,174	-
Donation	25.3	771,900	305,000
Others		292,868	490,391
		34,409,770	32,468,721

25.1 Salaries and benefits include Rs. 0.85 million (2011: Rs. 0.66 million) in respect of staff retirement benefits.

25.2 Auditors' remuneration	Note	2012 Rupees	2011 Rupees
Audit fee		600,000	500,000
Half year review fee		120,000	120,000
Other services		45,000	45,000
Out of pocket expenses		41,000	41,000
		806,000	706,000

25.3 No director or their spouse had any interest in the donees' fund.

26. OTHER OPERATING EXPENSES

Workers' participation fund		2,375,674	5,603,258
Workers' welfare fund		1,512,706	2,121,890
Infrastructure cess	9.3	-	12,517,167
		3,888,380	20,242,315

27. FINANCE COST

Mark-up / interest on:			
Long-term finance		4,946,179	8,198,501
Short term borrowings		65,576,501	82,331,565
Finance lease arrangements		4,303,048	2,773,479
Morabaha finance		2,014,532	-
Workers' participation fund		1,083,516	367,431
Bank charges, commission and other		3,949,425	2,262,016
		81,873,201	95,932,992

28. OTHER OPERATING (LOSS) / INCOME

Income from financial assets			
Profit on deposits		2,744,787	2,440,292
Income from assets other than financial assets			
Operating (loss) / income on trading of raw material	28.1	(3,751,113)	74,656,281
Sale of scrap		-	1,349,050
Liabilities written back		-	4,500,000
(Loss) / Gain on disposal of property, plant and equipment		(1,367,649)	58,263
		(2,373,975)	83,003,886

28.1 Operating profit on trading of raw material

Local sales		94,014,374	450,639,064
Less: Cost of sales		(97,765,487)	(375,982,783)
		(3,751,113)	74,656,281

29. TAXATION

Current		12,630,339	17,264,703
Prior years		(130,702)	(253,073)
Deferred		(3,694,220)	22,384,405
		8,805,417	39,396,035

34. *OPERATING SEGMENT*

The company manufactures yarn of various counts using cotton, viscose and polyester, as such the business is organised as a single reportable operating segment and the Company's performance is evaluated on an overall basis based on single segment. As such the financial statements have been prepared on the basis of a single reportable segment.

35. *PLANT CAPACITY AND ACTUAL PRODUCTION*

	2012	2011
Installed production capacity 20/s count - yarn in kgs.	14,795,745	14,795,745
Actual production during the year at 20/s count - yarn in Kgs.	6,156,446	9,291,618

It is difficult to describe precisely the production capacity and compare it with actual production in the textile industry since it fluctuates widely depending upon various factors such as count of yarn spun, spindles speeds, twist per inch, raw material used, etc.

36. *FINANCIAL INSTRUMENTS BY CATEGORY*

The company finance its operation through equity, borrowings and management of working capital with a view to maintaining an approximate mix between various sources of finance to minimise risk. Taken as a whole, the company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments

	2012 Rupees	2011 Rupees
Financial assets as per balance sheet		
Loans and receivables at amortised cost		
Security deposits	16,608,884	8,635,528
Trade debts	303,445,867	354,986,513
Loans and advances	647,251	485,308
Other receivables	2,621,710	5,022,299
Cash and bank balances	47,013,246	38,677,801
	370,336,958	407,807,449
Financial liabilities as per balance sheet		
Long-term financing		
- from banking companies	56,037,500	42,537,500
- from related parties	100,330,001	100,330,001
Liabilities against assets subject to finance lease	80,886,438	16,442,420
Trade and other payables	63,431,881	58,298,360
Interest / markup accrued	16,408,919	18,236,512
Short-term borrowings	374,135,024	368,696,933
	691,229,763	604,541,726

37. *FINANCIAL RISK MANAGEMENT*

The Company’s principal financial instruments comprise long-term financing, liabilities against assets subject to finance lease, short-term borrowings, interest / markup accrued, trade and other payables, trade debts, loans and advances, other receivables, deposits and cash and bank balances that arrive directly from operations.

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk).

The Company's board of directors oversees the management of these risks. Financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and risk appetite. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

37.1 Credit risk and concentration of credit risk

Credit risk represent the accounting loss that would be recognised at the reporting date if the counter party to the financial instrument fail to perform as contracted. Out of total financial assets of Rs 370,336,958/- (2011 : Rs. 407,807,44/-), the financial assets which are subject to credit risk amounted to Rs 369,609,857/- (2011: Rs. 407,352,263/-)

The maximum exposure to credit risk as at June 30, 2012, along with comparative is tabulated below:

Financial assets	*2012 Rupees*	*2011 Rupees*
Security deposits	**16,608,884**	8,635,528
Trade debts	**303,445,867**	354,986,513
Loans and advances	**647,251**	485,308
Other receivables	**2,621,710**	5,022,299
Cash and bank balances	**46,286,145**	38,222,615
	369,609,857	407,352,263

37.1.1 Credit risk related to receivables

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Company has a policy of dealing with creditworthy counter parties. Outstanding customer receivables are regularly monitored and advance from customers are obtained in certain cases.

37.1.2 Concentration of credit risk related to receivables

The Company have significant credit risk exposure to counterparty or any group of counterparties having similar characteristics as approxiamately 75.19% (2011: 32.19%) of the trade receivable is attributable to 5 customers as at June 30, 2012. The Company defines counterparties as having similar characteristics if they are related entities. However, geographically, there is no concentration of credit risk. The credit quality of counterparties is good and the amounts are still considered recoverable.

37.1.3 Credit risk related to financial instruments and cash deposits

The bank names along with credit rating are tabulated below:

Name of banks	*Short term rating*	*Long term rating*	*Rating Agency*
National Bank of Pakistan	A1+	AAA	JCR-VIS
Habib Metropolitan Bank	A1+	AA+	PACRA
Bank Alfalah Limited	A1+	AA	PACRA
Soneri Bank Limited	A1+	AA-	PACRA
Habib Bank Limited	A1+	AA+	JCR-VIS
Meezan Bank Limited	A1+	AA-	JCR-VIS
The Bank of Punjab	A1+	AA-	PACRA
United Bank Limited	A1+	AA+	JCR-VIS
Albaraka Bank (Pakistan) Limited	A1	A	PACRA
Silk Bank Limited	A2	A-	JCR-VIS

The total credit risk related to financial instrument and cash deposit which the company is exposed to amounting to Rs 46,286,145 (2011 : 38,222,615)

37.2 Liquidity risk management

Liquidity risk reflects the company's inability in raising funds to meet commitments. Management closely monitors the company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity requirements. Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Unavailed facilities that the Company has at its disposal to further reduce liquidity risk are disclosed in Note 11.

37.2.1 Liquidity and interest risk table

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Weighted average effective rate of Interest	Within one year	1 - 3 years	More than 3 years	Total
2012		----------	Rupees	----------	
Long-term financing					
- from banking companies	14.66%	34,037,500	22,000,000	-	56,037,500
- from related parties	-	-	100,330,001	-	100,330,001
Liabilities against assets subject to finance lease	17.21%	22,707,213	58,179,225	-	80,886,438
Trade and other payables	-	63,431,881	-	-	63,431,881
Interest / markup accrued	-	16,408,919	-	-	16,408,919
Short-term borrowings	14.79%	374,135,024	-	-	374,135,024
		510,720,537	180,509,226	-	691,229,763

	Weighted average effective rate of Interest	Within one year	1 - 3 years	More than 3 years	Total
		----------	Rupees	----------	
2011					
Long-term financing					
- from banking companies	15.50%	30,500,000	12,037,500	-	42,537,500
- from related parties	-	-	100,330,001	-	100,330,001
Liabilities against assets subject to finance lease	15.62%	11,164,471	5,277,949	-	16,442,420
Trade and other payables	-	58,298,360	-	-	58,298,360
Interest / markup accrued	-	18,236,512	-	-	18,236,512
Short-term borrowings	15.50%	368,696,933	-	-	368,696,933
		486,896,276	117,645,450	-	604,541,726

37.3 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

37.3.1 Interest rate risk management

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. Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term debt obligations with floating interest rates.

Interest rate sensitivity

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended June 30, 2012 would decrease/increase by Rs.1.44 million. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

37.3.2 Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

Foreign currency sensitivity analysis

At June 30, 2012, Company has no foreign currency risk because the Company does not have foreign currrency denominated receivable or payable balances.

37.4 Determination of fair values

Fair value of financial instruments

(a) Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

(b) Fair value estimation.

Financial instruments at fair value are measured at three level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments.

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

Level 2: Inputs other than quoted prices included within Level1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).The Company has no items to report in this level.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).
The company does not have any investment in any of the category.

37.5 Other price risk

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

38. CAPITAL DISCLOSURE

Company's objectives, policies and processes for managing capital are as follows:

Company is not subject to any externally imposed capital requirements.

Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Company sets the amount of capital in proportion to the risk and manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In 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. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at June 30, 2012 and 2011 were as follows:

	2012 Rupees	2011 Rupees
Total borrowings	611,388,963	528,006,854
Less: cash and bank balances (note 21)	(47,013,246)	(38,677,801)
Net debt	564,375,717	489,329,053
Total equity	458,904,564	418,218,616
Total capital	1,023,280,281	907,547,669
Gearing ratio	55%	54%

39. NON - ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have proposed a final cash dividend for its minority shareholders of Re. 1/- (2011: Re.1/-) per share for the year ended June 30, 2012, amounting to Rs.5,462,726/- (2011: Rs. 4,976,148) in their meeting held on October 01, 2012, for approval by the members of the Company in the Annual General Meeting. The sponsors and directors have voluntarily waived their right of dividend. These financial statements do not reflect this cash dividend payable, as per the Company's accounting policy disclosed in note 2.20.

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on October 01, 2012.

41. GENERAL

All figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

PATTERN OF SHAREHOLDING
As on June 30, 2012

Categories of Shareholders	Number	Shares Held	Percentage
Associated Companies, Undertaking and Related Parties	5		
Shama Enterprises (Pvt.) Ltd.		374,000	2.07
Bilal Omair Textile Mills (Pvt) Ltd.		300,000	1.66
Ms. Hira Mansoor		914,412	5.07
Ms. Sameen Idrees Allawala		925,052	5.13
Mr. Omar Idrees Allawala		1,000,000	5.54
Directors, CFO & their Spouse and Minor Children	10		
Mr. S. M. Idrees Allawala		468,000	2.59
Mr. Mansoor Idrees Allawala		1,385,186	7.68
Mr. Imran Idrees Allawala		1,095,000	6.07
Mr. Kamran Idrees Allawala		1,124,412	6.23
Mr. Naeem Idrees Allawala		1,542,444	8.55
Mr. Muhammad Israil		2,000	0.01
Mrs. Saba Kamran		375,588	2.08
Mrs. Naseema Bagum W/o S. M. Idrees Allawala		314,500	1.74
Mrs. Ambreen Mansoor W/o Mansoor Idrees Allawala		364,980	2.02
Mrs. Aisha Imran W/o Imran Idrees Allawala		405,000	2.24
Executive	-		
Joint Stock Companies	9	707,799	3.92
NIT & ICP	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds	5	181,400	1.01
Shareholders holding 5% or more voting interest			
Mr. Mansoor Idrees Allawala		1,385,186	7.68
Mr. Imran Idrees Allawala		1,095,000	6.07
Mr. Kamran Idrees Allawala		1,124,412	6.23
Mr. Naeem Idrees Allawala		1,542,444	8.55
Ms.Hira Mansoor		914,412	5.07
Ms.Sameen Idrees Allawala		925,052	5.13
Mr.Omar Idrees Allawala		1,000,000	5.54

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Associated Companies, Undertaking, and Related Parties	5	3,513,464	19.47
Directors, CFO & their Spouse & Minor Children	10	7,077,110	39.21
Joint Stock Companies	9	707,799	3.92
Bank, Development Finance Institutions Insurance Companies, Modarabas and Mutual Fund	5	181,400	- - 1.01
Individuals	1714	6,568,227	36.39
	1743	18,048,000	100.00

NUMBER OF SHARE HOLDERS	SHARE HOLDING FROM	TO	TOTAL SHARES HELD
417	1	100	35,587
926	101	500	424,726
152	501	1000	147,312
121	1001	5000	331,004
20	5001	10000	168,209
16	10001	15000	202,113
22	15001	20000	429,196
7	20001	25000	167,643
6	25001	30000	176,932
4	30001	35000	131,400
3	35001	40000	115,085
2	45001	50000	95,007
4	50001	55000	208,000
4	55001	60000	237,400
1	60001	65000	65,000
1	65001	70000	68,150
1	70001	75000	75,000
4	75001	80000	316,200
3	80001	85000	163,970
1	85001	90000	85,500
2	95001	100000	199,500
1	100001	105000	102,400
1	115001	120000	118,500
1	125001	130000	125,900
1	135001	140000	140,000
1	160001	165000	165,000
1	170001	175000	173,900
1	215001	220000	219,600
1	240001	245000	240,800
2	295001	300000	600,000
1	310001	315000	314,500
1	360001	365000	364,980
1	370001	375000	374,000
1	375001	380000	375,588
1	400001	405000	405,000
1	445001	450000	450,000
1	465001	470000	468,000
1	610001	615000	611,700
1	910001	915000	914,412
1	925001	930000	925,052
1	965001	970000	968,692
1	995001	1000000	1,000,000
1	1090001	1095000	1,095,000
1	1120001	1125000	1,124,412
1	1385001	1386000	1,385,186
1	1540001	1545000	1,542,444
1743			18,048,000