TATA Textile Mills Limited

Annual Report

2012

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	
CHAIRMAN:	Mr. Anwar Ahmed Tata
CHIEF EXECUTIVE:	Mr. Shahid Anwar Tata
DIRECTORS:	Mr. Adeel Shahid Anwar Mr. Bilal Shahid Anwar Mr. Farooq Advani Mr. Muhammad Ayub (NIT) Mr. Muhammad Naseem
AUDIT COMMITTEE **CHAIRMAN:**	Mr. Muhammad Naseem
MEMBERS:	Mr. Adeel Shahid Anwar Mr. Bilal Shahid Anwar
HUMAN RESOURCE & REMMUNERATION COMMITTEE	
CHAIRMAN:	Mr. Muhammad Naseem
MEMBERS:	Mr. Shahid Anwar Tata Mr. Muhammad Ayub (NIT)
COMPANY SECRETARY & **CHIEF FINANCIAL OFFICER:**	Mr. Farooq Advani
BANKERS:	Faysal Bank Limited Dubai Islamic Bank (Pakistan) Limited Bank Al-Falah Limited Bank Islami Pakistan Limited Habib Metropolitan Bank Limited MCB Bank Limited National Bank of Pakistan Soneri Bank Limited Allied Bank Limited
AUDITORS:	M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants
LEGAL ADVISOR:	Muhammad Afzal Awan Advocates.
SHARE REGISTRAR:	Noble Computer Services (Pvt.) Ltd. 1st Floor, House of Habib Building (Siddiqsons Tower), 3- Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal Karachi- 75350 Tel# 34325482-87
REGISTERED OFFICE:	8, 8th Floor Textile Plaza, M.A Jinnah Road Karachi. Tel# 32412955-3 Lines 32426761-2-4 Fax# 32417710
WEB SITE ADDRESS:	www.tatatex.com
E- MAIL ADDRESS:	ttm.corporate@tatatex.com
MILLS:	10th K.M. M.M. Road Khanpur-Baggasher, District Muzaffargarh

VISION STATEMENT

We shall build upon our recognition as a socially and environmentally responsible organization known for its principled and honest business practices we shall remain committed to exceeding the highest expectations of our stakeholders by maintaining the highest quality standards and achieving sustained growth in our capacity.

MISSION STATEMENT

We are committed to the higher expectations of our customers. We strive for the production of best quality yarns for high value products.

COMMITTED TO QUALITY

CERTIFICATE

aitex

Instituto Tecnológico Textil
Plaza Emilio Sala, 1-1º
E-03801 Alcoy (Alicante)

Institute of the International Association for Research and Testing in the Field of Textile Ecology (OEKO-TEX®)

The company

TATA TEXTILE MILLS LTD

OFFICE 08, 8TH FLOOR, TEXTILE PLAZA, M.A. JINNAH ROAD,

74000 KARACHI, PAKISTAN

is granted authorization according to Oeko-Tex® Standard 100 to use the Oeko-Tex® mark, based on our **test report 2012PK0018**

CONFIDENCE IN TEXTILES

Tested for harmful substances

according to Oeko-Tex® Standard 100

2012PK0018 AITEX

for the following articles:

100% GREIGE COTTON YARN.

The results of the inspection made according to Oeko-Tex® Standard 100, **product class I** have shown that the above mentioned goods meet the human-ecological requirements of the standard presently established for baby articles.

The certified articles fulfil the requirements of Annex XVII of REACH (incl. the use of azo-dyes, nickel, etc.) as well as the American requirement regarding total content of lead in children's articles (CPSIA; with the exception of accessories made from glass).

The holder of the certificate, who has issued a conformity declaration according to ISO 17050-1, is under an obligation to use the Oeko-Tex® mark only in conjunction with products that conform with the sample initially tested.

This authorisation is valid until 31.03.2013

Alcoy (Alicante) España, 05.03.2012

Silvia Devesa Valencia
Innovation Assistant Manager

Isabel Soriano Sarrió
Chief of Innovation Area

CHAIRMAN'S REVIEW

Assalam-o-Alaikum,

As Chairman of Tata Textile Mills Limited, I feel pleasure to present the Annual Audited Accounts along with the auditor's report there on for the year ended June 30, 2012.

Economic Conditions (World & Pakistan)

Economic uncertainty still exists in most of the developed world including US and Europe and the market volatilities have made business, a very risky affair. The world economic system is going through a transition, the commodities and food prices have gone up which seem to have somehow affected the demand for textile products. In Global context, the size of Pakistan's economy is insufficient / very small based so these international upheaval has not affected Pakistan much; however the internal issues in the country such as law & order situation and political uncertainties have hampered the overall economic situation and industrial growth.

In my opinion; there are three fundamentals to economic growth:

1. Confidence in State Institutions & Rule of Law/Law and Order
2. Human Resource Development.
3. Infrastructure Development & Government Policies.

Unfortunately, Pakistan is lacking in all of the above mentioned areas. Though the economic management policies of Pakistan are superior to India and China but somehow implementation of these policies falls behind the desired levels.

Textile Industry Performance

Textile sector, being a capital intensive sector needs big investments to grow, especially the spinning sector. However, due to factors like energy shortages, political uncertainty and poor law & order situation of the country, investments have remained on the lower side affecting the growth of the industry. The textile industry witness a troublesome period during the year mainly attributed to the factors mentioned hereunder.

a) Energy outages

Energy outages have left a profound effect on the industry in Punjab, which in turn has left a strong impact on otherwise good opportunities. During the year, gas and grid power was not available to the mills for number of days. Although your company is utilizing both gas and grid power, still in total had to face approximately 1100 hrs which makes a total of 46 days without power shutting down mills activities. However, as a team, we are endeavoring and looking at all possibilities to minimize the effect of energy crisis.

b) Inflation

Double digit inflation rate during the year has also worked against the textile sector and has increased the costs of doing business in Pakistan.

c) Interest Rates

At a time when global interest rates are kept very low to stimulate the economy, whereas the interest rates remained very high in our country. In the region also, the interest rates are in the vicinity of 7-8% and our interest costs remained around 14% which is a big burden. Unavailability of power coupled with high interest rates is going to create difficulty for us.

Cotton situation

This year cotton prices were relatively stable and fortunately we did not see the same volatilities that we witnessed and experienced a year before so this stability has rendered good opportunities for us and we were able to avail them as such. However, in the beginning, we had some high value carry over stock of cotton and yarn which has affected our first and second quarters. This year, country saw a bumper cotton crop, despite of the loss of 1.0 million to 1.5 million bales as a result of the disastrous Sindh floods. The good crop was the reason that we were able to buy cotton at export parity rather than buying local cotton at import parity.

Going forward.

Even this year the cotton crops prospects are encouraging and cotton production will be hopefully good and available to us at export parity. We foresee an opportunity for us in the Pakistani cotton. However, the issues faced will be the availability of power, high interest rates and impact of wage increase. We welcomed decision of increasing wages by the government but however, the interest rates needs to be revised drastically downwards and availability of infrastructure especially power is critical since despite of having two sources i.e. grid & gas available and paying the overheads for both, we are still not able to run our mill completely. If this crisis will continue then it will become very difficult for the industry to survive.

In order to streamline work processes, ERP Solution (Oracle e-Business suite 12R) implementation is at its concluding phase and will soon replace the legacy system. M/S A.F Ferguson & Co. is assisting us in the development of the integrated system across the enterprise to achieve excellence in the business process management.

Capital/Investments Outlay

As you are aware that Company is in the production of high quality yarns and to maintain that high quality, this year your company is going to make an investment of approximately Rs. 180 Million to diversify our existing product line and bring further improvements in product quality.

Acknowledgments

We firmly believe that our people are our most precious assets; we value their commitment and take pride in acknowledging the hard work they have done for the betterment of the organization.

We would also like to acknowledge the role of our bankers, brokers and agents in the company's performance and hope that they will continue their support in the future as well.

ANWAR AHMED TATA
Chairman

Karachi.
Dated: September 15, 2012

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors have pleasure in presenting before you the 26th Annual Report together with the Audited Accounts for the year ended June 30, 2012.

FINANCIAL RESULTS

The Company made a pre tax profit of Rs. 85.119 million after charging costs, expenses and depreciation for the year ended June 30, 2012.

	(Rupees)
Pre-tax profit for the year	85,119,323
Taxation	(43,744,118)
Profit after taxation	41,375,205
Accumulated Profit Brought Forward	911,195,384
Less: Dividend Paid	(51,974,250)
	859,221,134
Transfer from Surplus on Revaluation of Fixed Assets	45,793,700
Accumulated Profit Carried Forward	946,390,039

CHAIRMAN'S REVIEW

The Directors of the Company endorse the contents of the Chairman's review, which is deemed to be a part of the Directors' report.

DIVIDEND

The Directors of the Company are pleased to recommend the cash dividend @10% for the Year ended June 30, 2012.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

a. The financial statements, prepared by the management of the Company, present its state of affairs fairly, 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 financial statements and accounting estimates are based on reasonable and prudent judgment.
d. The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
e. There are no significant doubts upon the Company's ability to continue as a going concern.
f. The system of internal control is sound in design and has been effectively implemented and monitored.
g. Key operating and financial data of last six years in a summarized form is annexed.
h. Outstanding taxes and levies have been adequately disclosed in the annexed audited financial statements.
i. During the year under review, four Board of Directors' Meetings and four Audit Committee Meetings were held and attended as follow:

Attendance of Board of Director Meeting

Name of Director	No. of Meeting Attended
Mr. Anwar Ahmed Tata	4
Mr. Shahid Anwar Tata	2
Mr. Adeel Shahid Anwar	3
Mr. Bilal Shahid Anwar	3
Mr. Muhammad Naseem	3
Mr. Muhammad Ayub(NIT)	4
Mr. Farooq Advani	3
*Mr. Muhammad Waris Magoon	1
*Mr. Shahid Aziz(NIT)	1

(However, leave of absence was granted to the Directors who could not attend the Board Meetings due to their pre-occupations).

*** Term Expired on October 10, 2011**

Attendance of Audit Committee Meeting

Name of Director	No. of Meeting Attended
Mr. Muhammad Naseem	3
Mr. Adeel Shahid Anwar	3
Mr. Bilal Shahid Anwar	3
*Mr. Anwar Ahmed Tata	1
*Mr. Muhammad Waris Magoon	1

*** Term Expired on October 10, 2011**

During the year under review no Human Resource and Remuneration Committee (HR & RC) meeting was held.

j. During the year under review Mr. Farooq Advani-Director attended the three session/parts of director training programme held by Pakistan Institute of Corporate Governance. In addition Mr. Anwar Ahmed Tata, Mr. Shahid Anwar Tata and Mr. Muhammad Ayub meets the criteria of exemption under clause (xi) of Code of Corporate Governance and is accordingly exempted from director's training program.

k. The statement of pattern of share holding 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 the trading in shares of the Company by the Directors are as follows:

	Opening Balance As on 01-07-2011	Purchase	Sales	Closing Balance As on 30-06-2012
Mr. Anwar Ahmed Tata	5,365,489	464,178	-	5,829,667
Mr. Muhammad Naseem	-	500	-	500

There was no trading in Company's shares was carried out by its CEO, CFO, Company Secretary, Head of Internal Audit, other Executives and their spouses and minor children.

Board Changes

At the 25th Annual General Meeting Held on October 10, 2011 a seven member board was elected by the shareholders for a three-year terms commencing from October 10, 2011 namely Mr. Anwar Ahmed Tata, Mr. Shahid Anwar Tata, Mr. Adeel Shahid Anwar, Mr. Bilal Shahid Anwar, Mr. Muhammad Naseem, Mr. Muhammad Ayub and Mr. Farooq Advani.

Subsequently by the Board of Directors, Mr. Shahid Anwar Tata was re-appointed as Chief Executive of the company for the term of three years commencing from October 12, 2011. In compliance of Companies Ordinance 1984 under section 218 abstract of term of appointment was circulated to all members of the company.

Earlier Mr. Muhammad Waris Magoon and Mr. Shahid Aziz retired from the Board upon expiry of their terms of office as Directors. The Board places on record its appreciation for the valuable contribution made by the two outgoing Directors.

AUDITORS

The Auditors Messer's M. Yousuf Adil Saleem & Co. Chartered Accountants retire at the conclusion of the Annual General Meeting and being eligible, offer themselves for reappointment for the financial year ending June 30, 2013.

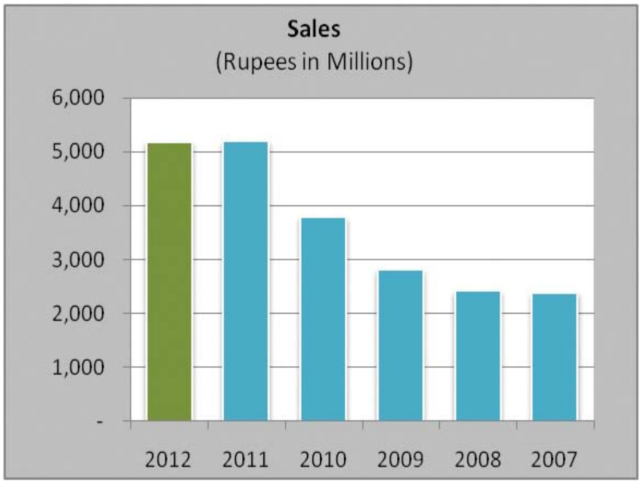
ON BEHALF OF THE BOARD OF DIRECTORS

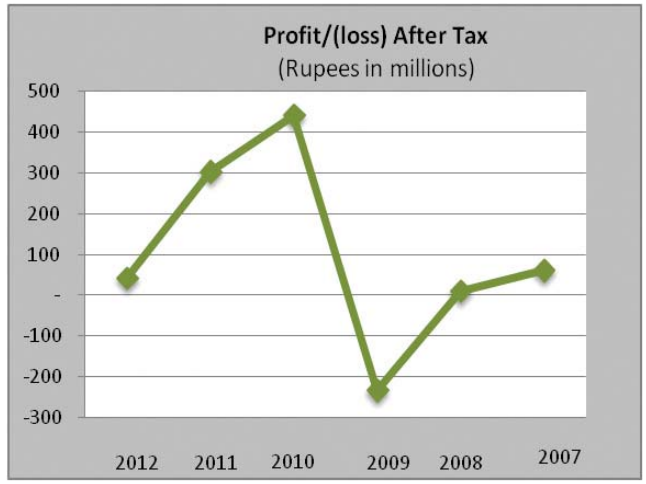
SHAHID ANWAR TATA
Chief Executive

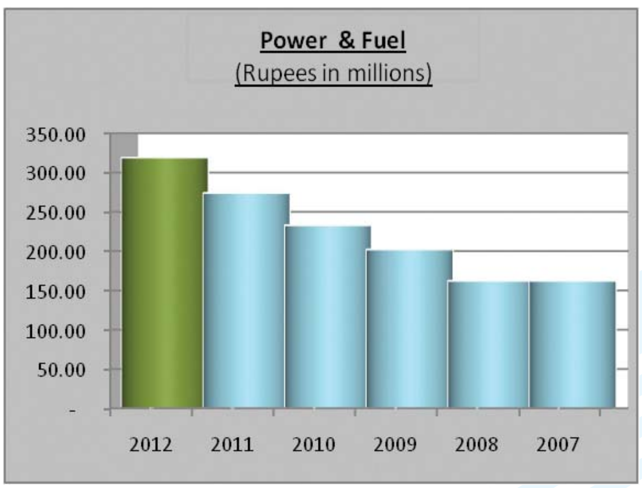
Karachi.
Dated: September 15, 2012

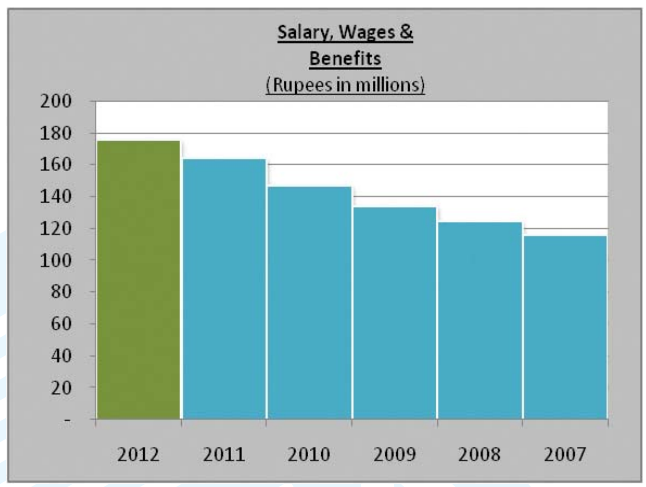
KEY OPERATING AND FINANCIAL RESULTS FROM 2007 TO 2012

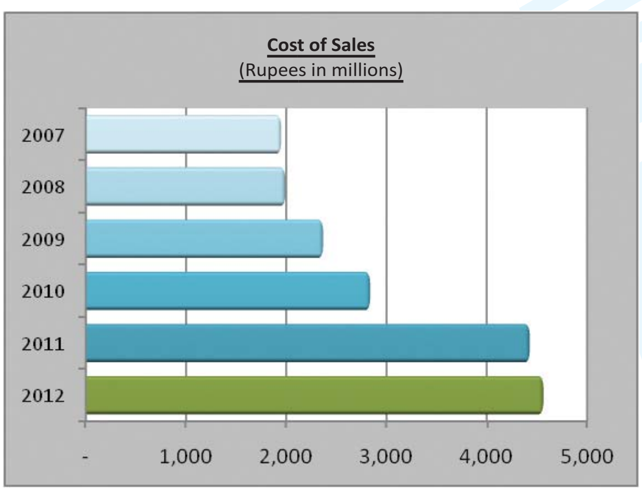
Particular	2012	2011	2010	2009	2008	2007
	------Rupees in thousand------					
Sales	5,186,235	5,198,073	3,783,989	2,804,593	2,415,386	2,381,978
Cost of Goods Sold	4,564,204	4,427,677	2,836,376	2,367,017	1,990,560	1,949,287
Gross Profit	622,031	770,396	947,612	437,576	424,827	432,691
Profit /(Loss) Before Taxation	85,119	366,051	457,293	(217,729)	27,677	81,560
Profit/(Loss) After Taxation	41,375	303,466	440,601	(234,551)	8,985	59,562
Financial Data						
Equity Balance	1,119,638	1,084,443	777,438	290,653	477,089	489,754
Property, Plant & Equipment	2,400,344	2,287,306	2,222,126	2,330,419	2,318,568	1,405,254
Current Assets	1,371,909	2,707,393	1,416,780	1,452,118	1,823,273	1,202,547
Current Liabilities	1,387,803	2,726,725	1,590,614	1,957,621	2,032,475	1,223,551
Key Ratio						
Gross Margin (%)	11.99	14.82	25.04	15.60	17.59	18.17
Profit / (Loss) after Tax (%)	0.80	5.84	11.64	(8.36)	0.37	2.50
Current Ratio	0.99	0.99	0.89	0.74	0.90	0.98
Earning Per Share (Rs.)	2.39	17.52	25.43	(13.54)	0.52	3.44
Breakup Value Per Share	64.63	62.60	44.87	16.78	27.54	28.27
Cash Dividend (%)	10.00	30.00	25.00	-	-	10.00
Statistics						
Number of Spindle	44,400	44,400	44,400	44,400	44,400	44,400
Production into 20/s Count (in "000" Kgs.)	14,332	15,466	16,003	14,848	15,038	15,761

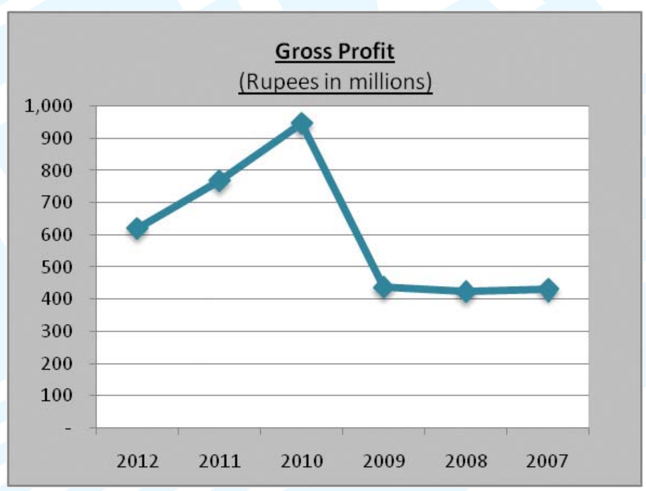

Sales
(Rupees in Millions)
6,000
5,000
4,000
3,000
2,000
1,000
-
2012 2011 2010 2009 2008 2007

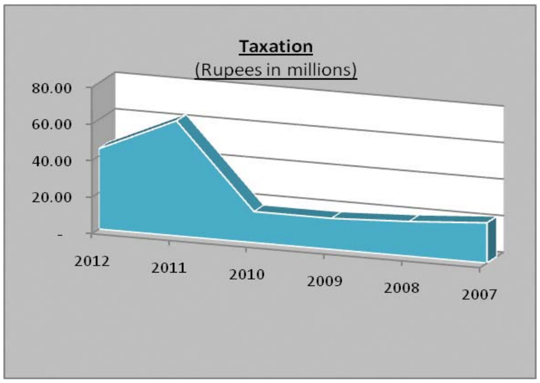

Profit/(loss) After Tax
(Rupees in millions)
500
400
300
200
100
-
-100
-200
-300
2012 2011 2010 2009 2008 2007

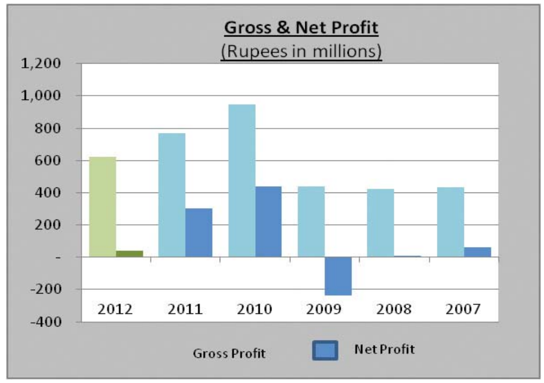

Power & Fuel
(Rupees in millions)
350.00
300.00
250.00
200.00
150.00
100.00
50.00
-
2012 2011 2010 2009 2008 2007

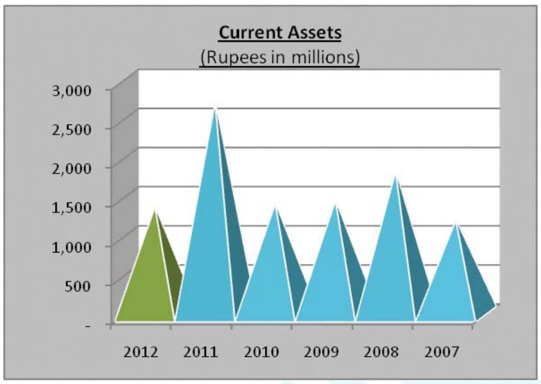

Salary, Wages & Benefits
(Rupees in millions)
200
180
160
140
120
100
80
60
40
20
-
2012 2011 2010 2009 2008 2007

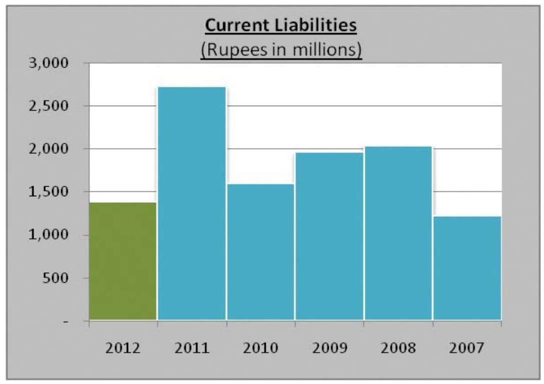

Cost of Sales
(Rupees in millions)
2007
2008
2009
2010
2011
2012
- 1,000 2,000 3,000 4,000 5,000

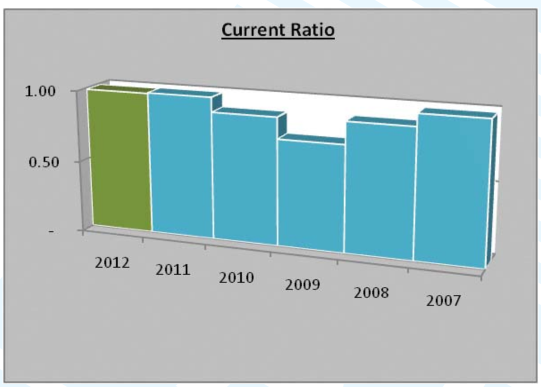

Gross Profit
(Rupees in millions)
1,000
900
800
700
600
500
400
300
200
100
-
2012 2011 2010 2009 2008 2007

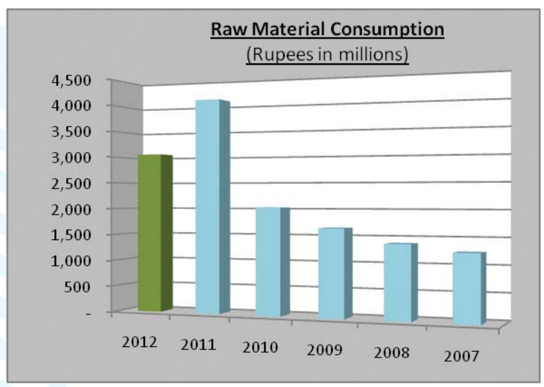

Taxation
(Rupees in millions)
80.00
60.00
40.00
20.00
-
2012
2011
2010
2009
2008
2007

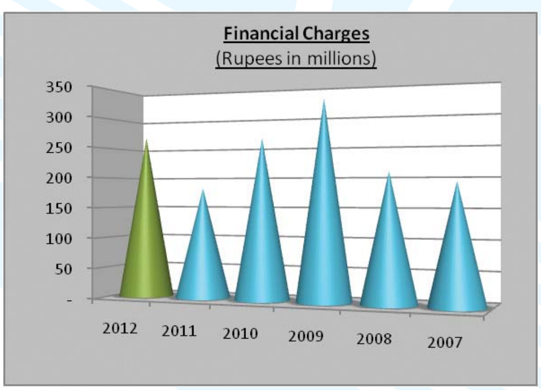

Gross & Net Profit
(Rupees in millions)
1,200
1,000
800
600
400
200
-
-200
-400
2012
2011
2010
2009
2008
2007
Gross Profit
Net Profit

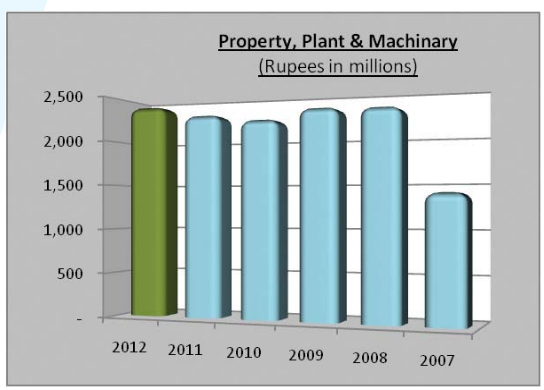

Current Assets
(Rupees in millions)
3,000
2,500
2,000
1,500
1,000
500
-
2012
2011
2010
2009
2008
2007

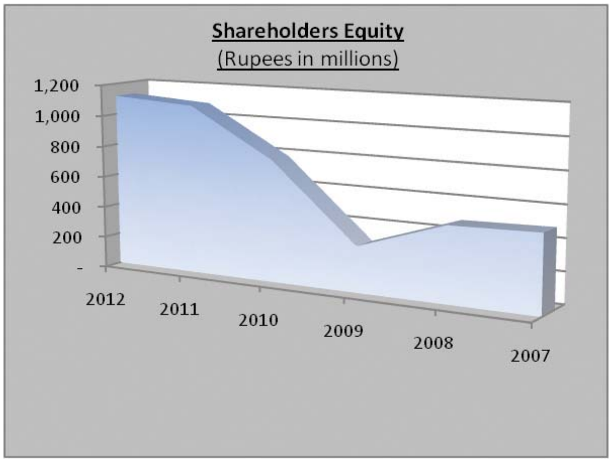

Current Liabilities
(Rupees in millions)
3,000
2,500
2,000
1,500
1,000
500
-
2012
2011
2010
2009
2008
2007

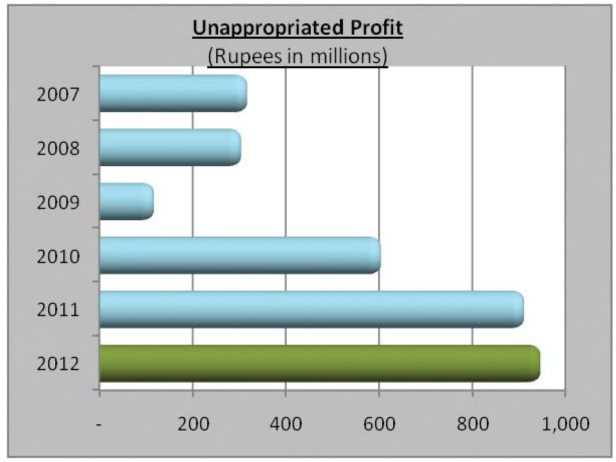

Current Ratio
1.00
0.50
-
2012
2011
2010
2009
2008
2007

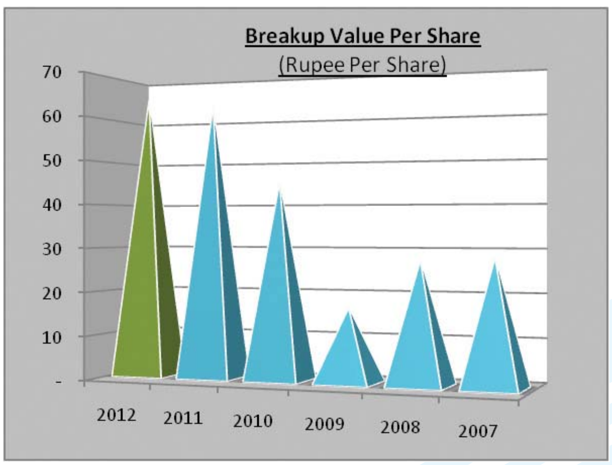

Raw Material Consumption
(Rupees in millions)
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2012
2011
2010
2009
2008
2007

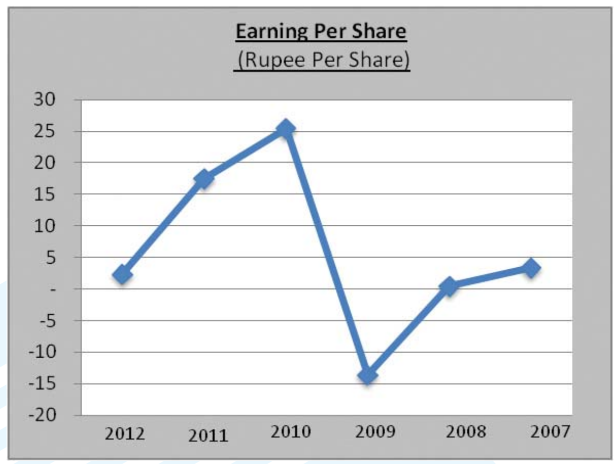

Financial Charges
(Rupees in millions)
350
300
250
200
150
100
50
-
2012
2011
2010
2009
2008
2007

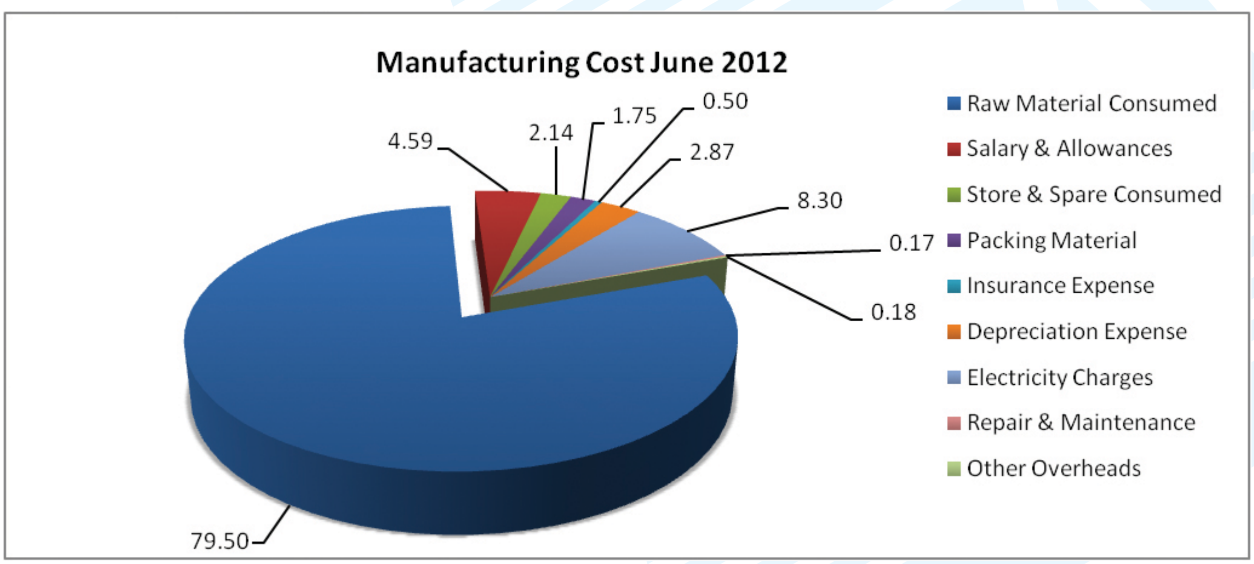

Property, Plant & Machinary
(Rupees in millions)
2,500
2,000
1,500
1,000
500
-
2012
2011
2010
2009
2008
2007


Shareholders Equity
(Rupees in millions)
1,200
1,000
800
600
400
200
-
2012
2011
2010
2009
2008
2007


Unappropriated Profit
(Rupees in millions)
2007
2008
2009
2010
2011
2012
-
200
400
600
800
1,000


Breakup Value Per Share
(Rupee Per Share)
70
60
50
40
30
20
10
-
2012
2011
2010
2009
2008
2007


Earning Per Share
(Rupee Per Share)
30
25
20
15
10
5
-
-5
-10
-15
-20
2012
2011
2010
2009
2008
2007


Manufacturing Cost June 2012
4.59
2.14
1.75
0.50
2.87
8.30
0.17
0.18
79.50
Raw Material Consumed
Salary & Allowances
Store & Spare Consumed
Packing Material
Insurance Expense
Depreciation Expense
Electricity Charges
Repair & Maintenance
Other Overheads

Patterns of Holding of Shares Held by the Shareholders
As at June 30, 2012

NO. OF SHAREHOLDERS	SHARE-HOLDING FROM	TO	TOTAL SHARES HELD
263	1	100	11,831
331	101	500	74,709
346	501	1000	229,507
71	1001	5000	156,986
14	5001	10000	98,727
9	10001	15000	114,399
7	15001	20000	125,502
1	20001	25000	23,450
6	25001	30000	160,617
2	30001	35000	68,540
3	45001	50000	145,370
1	50001	55000	53,932
1	55001	60000	55,545
2	65001	70000	132,250
1	85001	90000	85,300
2	90001	95000	186,449
1	135001	140000	139,920
1	205001	210000	205,363
1	235001	240000	238,051
1	280001	285000	284,337
1	315001	320000	317,400
1	1050001	1055000	1,050,534
1	1470001	1475000	1,474,579
1	2090001	2095000	2,094,285
1	3965001	3970000	3,967,500
1	5825001	5830000	5,829,667
1,070			17,324,750

CATEGORIES OF SHAREHOLDERS
As at June 30, 2012

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
NIT and ICP	4	2,149,170	12.41
Banks, Development Finance Institutions	3	1,259,120	7.27
Joint Stock Company	10	92,477	0.53
Associated Companies, Undertaking and Related Parties	1	3,967,500	22.90
Directors, Their Spouse(s) and Minor Children	8	7,887,380	45.53
Individuals	1,044	1,969,103	11.37
	1,070	17,324,750	100.00

Details of Categories of Shareholders
As at June 30, 2012

	Number of shareholders	Shares Held
NIT and ICP		
National Bank of Pakistan Trusetee Dept		2,148,217
Investment Corporation of Pakistan		953
	4	2,149,170
BANKS, DEVELOPMENT FINANCE INSTITUTIONS		
National Development Finance Corporation		3,223
National Bank Of Pakistan		1,255,897
	3	1,259,120
JOINT STOCK COMPANIES		
ACE Securities (Pvt) Ltd.		1,982
Ismail Abdul Shakoor Securities (Pvt.) Ltd.		2,402
N. H. Capital Fund Limited		2
Pearl Capital Management (Pvt.) Limited		73
AWJ Securities (SMC-Pvt.) Limited		500
Darson Securities (Pvt.) Limited		1,086
Naveena Industries		85,300
M.R.A. Securities (Pvt.) Limited		800
Y.S. Securities & Services (Pvt.) Ltd.		132
Highlink Capital (Pvt.) Limited		200
	10	92,477
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES		
Salfi Textile Mills Ltd.	1	3,967,500
DIRECTORS, THEIR SPOUSE(S) & MINOR CHILDREN		
Mr. Anwar Ahmed Tata (Chairman/Director)		5,829,667
Mr. Shahid Anwar Tata (Chief Executives)		1,474,579
Mr. Adeel Shahid Anwar (Director)		16,522
Mr. Bilal Shahid Anwar (Director)		10,000
Mr. Mohammad Naseem (Director)		500
Mr. Farooq Advani (Director)		661
Mrs. Parveen Anwar (W/o Mr. Anwar Ahmed Tata)		238,051
Mrs. Saiqa Shahid (W/o Mr. Shahid Anwar Tata)		317,400
	8	7,887,380
INDIVIDUALS	1,044	1,969,103
Grand Total	1,070	17,324,750

Shareholders Holding Five Percent or More Voting Rights in the Listed Company
As At June 30, 2012

	Shares Held	Percentage
DIRECTORS, THEIR SPOUSE(S) AND MINOR CHILDREN		
Mr. Anwar Ahmed Tata	5,829,667	33.65
Mr. Shahid anwar Tata	1,474,579	8.51
NIT and ICP		
N.B.P. Trustee Deptt.	2,148,217	12.40
FINANCIAL INSTITUTION		
National Bank of Paksitan	1,255,897	7.25
ASSOCIATED COMPANIES, UNDERTAKING & RELATED PARTIES		
Salfi Textile Mills Ltd.	3,967,500	22.90

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED 30TH JUNE 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi stock Exchange (Guarantee) Ltd. and chapter XI of Lahore Stock Exchange (Guarantee) Ltd. for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code of Corporate Governance in the following manner.

1. At present the Board of the Company includes:

Category	Names
Executive Director	Mr. Shahid Anwar Tata
	Mr. Adeel Shahid Anwar
	Mr. Farooq Advani
Non-Executive Directors	Mr. Anwar Ahmed Tata
	Mr. Muhammad Naseem
	Mr. Muhammad Ayub
	Mr. Bilal Shahid Anwar

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Company
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. There has been no casual vacancy occurred during the year under review.
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 condition of employment of the Chief Executive and other executive and non executive directors, have been taken by the Board.
8. 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 once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board arranged an orientation/training programs for its directors during year. The Board had also initiated the training of directors for certification program from Pakistan Institute of Corporate Governance (PICG). However as at year end the certification program's training was in progress therefore Certificate of the same was not granted.
10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive and Executives do not hold any interest in the share of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an audit committee. It comprises three members, of whom two including the chairman of the committee, are non-executive directors.
16. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two including the chairman of the committee, are non-executive directors.
18. The board has setup an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all applicable other material principles enshrined in the Code of Corporate Governance have complied with.

ON BEHALF OF THE BOARD OF DIRECTORS

SHAHID ANWAR TATA
CHIEF EXECUTIVE

Karachi
Dated: September 15, 2012

Notice of Annual General Meeting

Notice is hereby given that the **26th Annual General Meeting** of the Shareholders of **Tata Textile Mills Limited** will be held on **Friday** the **October 19, 2012 at 12:30 P.M.** at **5th Floor Textile Plaza M.A. Jinnah Road Karachi,** to transact the following business: -

1. To confirm the minutes of the 25th Annual General Meeting held on October 10, 2011.

2. To receive, consider and adopt the report of the Directors and Auditors and Audited Accounts of the Company for the period ended June 30, 2012.

3. To appoint Auditors for the year 2012-13 and fix their remuneration. The retiring auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants being eligible to offer themselves for reappointment.

4. To approve the payment of cash dividend @ 10% (i.e. Re.1.00 per share), for the year ended June 30, 2012 as recommended by the Board of Directors.

5. To transact any other ordinary business or businesses with the permission of the **Chairman.**

By order of the Board of Directors

Farooq Advani
Company Secretary

Karachi:
Dated: September 27, 2012

Notes:

1. The Share Transfer Books of the Company will remain closed from October 12, 2012 to October 19, 2012 (both days inclusive).

2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. Proxies, in order to be effective must be received by the Company not less than 48 hours before the meeting.

3. 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.

4. Shareholders are requested to notify the change of address, if any, immediately.

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

Phone: +92 (0) 21- 3454 6494 - 7
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the code) prepared by the Board of Directors of Tata Textile Mills Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange and Chapter XI of Lahore Stock Exchange where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on 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, Sub - Regulation (xiii a) of Listing Regulation No. 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval of 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 undertaken at arm's length price or not.

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

M. Yousuf Adil Saleem & Co

Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Karachi
Date: September 15, 2012

Member of
Deloitte Touche Tohmatsu Limited

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

Phone: +92 (0) 21- 3454 6494 - 7
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of TATA 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 necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with 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 said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by 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 are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii. the expenditure incurred during the year was for the purpose of 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 deposited in the Central Zakat Fund established under section 7 of that Ordinance.

M. Yousuf Adil Saleem & Co

Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Karachi
Date: September 15, 2012

Member of
Deloitte Touche Tohmatsu Limited

BALANCE SHEET

	Note	2012	2011
		..........Rupees..........	
SHARE CAPITAL AND RESERVES			
Authorized			
20,000,000 Ordinary shares of Rs.10 each		**200,000,000**	200,000,000
Issued, subscribed and paid-up	3	**173,247,500**	173,247,500
Unappropriated profit		**946,390,039**	911,195,384
		1,119,637,539	1,084,442,884
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax	4	**978,445,858**	897,799,038
NON-CURRENT LIABILITIES			
Long-term financing	5	**234,982,144**	262,266,034
Deferred liabilities	6	**61,091,758**	28,199,058
CURRENT LIABILITIES			
Trade and other payables	7	**273,298,806**	244,617,507
Interest / mark-up accrued on loans	8	**37,047,965**	49,113,129
Short-term borrowings	9	**943,063,653**	2,176,452,137
Current portion of:			
-long-term financing	5	**80,822,108**	123,675,105
Taxation - income tax		**53,570,473**	132,867,342
		1,387,803,005	2,726,725,220
CONTINGENCIES AND COMMITMENTS	10		
		3,781,960,304	**4,999,432,234**

The annexed notes from 1 to 38 form an integral part of these financial statements.

AS AT JUNE 30, 2012

	Note	2012	2011
		..........Rupees..........	
NON-CURRENT ASSETS			
Property, plant and equipment	11	**2,400,343,615**	2,287,305,959
Intangible assets	12	**7,768,401**	4,083,331
Long-term deposits		**1,939,069**	649,958
CURRENT ASSETS			
Stores, spares and loose tools	13	**47,285,319**	49,283,601
Stock-in-trade	14	**933,111,332**	2,116,355,588
Trade debts	15	**119,081,376**	295,594,213
Loans and advances	16	**94,715,998**	150,002,781
Trade deposits and short-term prepayments	17	**3,388,098**	3,425,867
Other receivables	18	**33,800,055**	12,595,428
Other financial assets	19	**8,144,850**	2,483,184
Sales tax refundable		**13,276,755**	10,456,306
Cash and bank balances	20	**119,105,436**	67,196,018
		1,371,909,219	2,707,392,986
		3,781,960,304	4,999,432,234

SHAHID ANWAR TATA
CHEIF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN /DIRECTOR

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		..........Rupees..........	
Sales	21	**5,186,235,261**	5,198,073,214
Cost of goods sold	22	**(4,564,204,197)**	(4,427,677,007)
Gross profit		**622,031,064**	770,396,207
Distribution cost	23	**(169,737,144)**	(171,248,568)
Administrative expenses	24	**(71,172,625)**	(62,647,453)
Other operating expenses	25	**(40,034,591)**	(27,458,431)
Other operating income	26	**11,642,083**	39,384,808
Finance cost	27	**(267,609,464)**	(182,375,096)
		(536,911,741)	(404,344,740)
Profit before taxation		**85,119,323**	366,051,467
Provision for taxation	28	**(43,744,118)**	(62,585,484)
Profit for the year		**41,375,205**	303,465,983
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**41,375,205**	303,465,983
Earnings per share - basic and diluted	29	**2.39**	17.52

'The annexed notes from 1 to 38 form an integral part of these financial statements.

SHAHID ANWAR TATA	ANWAR AHMED TATA
CHEIF EXECUTIVE	CHAIRMAN /DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		..........Rupees..........	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**85,119,323**	366,051,467
Adjustments for :			
Depreciation of property, plant and equipment	11.2	**115,099,976**	113,680,644
Amortization of intangibles		**25,530**	-
Net realisable value charges on stock-in-trade		-	751,418,399
Provision for staff gratuity and compensated absences		**16,639,251**	15,632,751
Finance cost	27	**267,609,464**	182,375,096
Gain on disposal of property, plant and equipment	26	**(5,409,030)**	(4,091,584)
Unrealized Gain on Forward Contract		**(5,501,665)**	-
Operating cash flows before movements in working capital		**473,582,849**	1,425,066,773
(Increase) / decrease in current assets			
Stores, spares and loose tools		**1,998,282**	(13,541,344)
Stock-in-trade		**1,183,244,256**	(1,848,199,843)
Trade debts		**176,512,837**	(105,576,923)
Loans and advances		**(6,381,225)**	(2,485,275)
Trade deposits and short-term prepayments		**37,769**	(1,748,998)
Other receivables		**(21,204,627)**	(6,969,962)
Other financial assets		**(160,001)**	-
Sales tax refundable		**(2,820,449)**	3,610,085
Increase in current liabilities			
Trade and other payables		**28,081,576**	77,204,303
Cash generated from / (used in) operations		**1,832,891,267**	(472,641,184)
Finance cost paid		**(279,674,628)**	(180,422,873)
Income taxes paid		**(49,707,579)**	(53,393,679)
Staff gratuity and compensated absences paid		**(12,672,355)**	(11,929,889)
Long-term deposits		**(1,289,111)**	(43,602)
Net cash from / (used in) operating activities		**1,489,547,594**	(718,431,227)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(100,429,221)**	(188,086,172)
Purchase of intangible		**(3,710,600)**	-
Proceeds from disposal of property, plant and equipment		**21,401,543**	9,234,486
Net cash used in investing activities		**(82,738,278)**	(178,851,686)

	Note	2012	2011
		……….Rupees……….	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing		**57,265,318**	117,253,518
Repayment of long-term financing		**(127,402,205)**	(234,486,882)
(Repayment of) / Proceeds from short-term borrowings - import / export		**(1,472,721,139)**	1,217,020,444
Repayment of principal portion of finance lease		**-**	(17,012,029)
Dividend paid		**(51,374,527)**	(42,822,106)
Net cash (used in) / from financing activities		**(1,594,232,553)**	1,039,952,945
Net increase in cash and cash equivalents		**(187,423,237)**	142,670,032
Cash and cash equivalents as at July 01		**(413,792,253)**	(556,462,285)
Cash and cash equivalents as at June 30	31	**(601,215,490)**	(413,792,253)

The annexed notes from 1 to 38 form an integral part of these financial statements.

SHAHID ANWAR TATA
CHEIF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN /DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Note	Share Capital	Revenue Reserve Unappropriated Profit	Total
		............................Rupees............................		
Balance as at July 01, 2010		173,247,500	604,190,333	777,437,833
Comprehensive income				
Profit after taxation for the year ended June 30, 2011		-	303,465,983	303,465,983
Other comprehensive income - net of tax		-	-	-
		-	303,465,983	303,465,983
Transferred from surplus on revaluation of property, plant and equipment on account of:				
- incremental depreciation		-	43,756,176	43,756,176
- disposal		-	3,094,767	3,094,767
	4	-	46,850,943	46,850,943
Transactions with owners				
Final cash dividend for the year ended June 30, 2010 @ Rs. 2.5 per share		-	(43,311,875)	(43,311,875)
Balance as at June 30, 2011		**173,247,500**	**911,195,384**	**1,084,442,884**
Comprehensive income				
Profit after taxation for the year ended June 30, 2012		-	41,375,205	41,375,205
Other comprehensive income - net of tax		-	-	-
		-	41,375,205	41,375,205
Transferred from surplus on revaluation of property, plant and equipment on account of:				
- incremental depreciation		-	40,124,836	40,124,836
- disposal		-	5,668,864	5,668,864
	4	-	45,793,700	45,793,700
Transactions with owners				
Final cash dividend for the year ended June 30, 2011 @ Rs. 3 per share		-	(51,974,250)	(51,974,250)
Balance as at June 30, 2012		**173,247,500**	**946,390,039**	**1,119,637,539**

The annexed notes from 1 to 38 form an integral part of these financial statements.

SHAHID ANWAR TATA
CHEIF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN /DIRECTOR

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

1. GENERAL INFORMATION

1.1 Tata Textile Mills Limited (the Company) was incorporated in Pakistan on April 15, 1987 as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at, 8th floor Textile Plaza, M.A. Jinnah Road Karachi. The principal activity of the Company is manufacturing and sale of yarn. The Company's manufacturing facilities are located at District of Muzaffargarh in the province of Punjab.

1.2 These 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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of preparation

The financial statements have been prepared under the historical cost convention modified by:-

- revaluation of certain property, plant and equipment
- recognition of certain staff retirement benefits at present value
- financial instruments at fair value

2.3 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:

Standard or Interpretation	Effective for periods beginning on or after
IAS 1 - Presentation of Financial Statements (Amendment)	January 01, 2011
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IAS 34 - Interim Financial Reporting (Amendment)	January 01, 2011
IFRS 7 - Disclosures – Transfer of Financial Assets (Amendment)	July 01, 2011
IFRIC 13 - Customer Loyalty Programmes (Amendment)	January 01, 2011
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

2.3.1 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)	January 1, 2012
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 (Revised 2011) - Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

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 The principal accounting policies adopted are set out below.

2.4.1 Leases

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

As lessee

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. The liabilities are classified as current and non-current depending upon the timing of payment. 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 capitalised in accordance with the Company's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

2.4.2 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 expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.4.3 Staff retirement benefits

The Company has categorized its employees into workmen and non-workmen for post-employment benefits that comprise both the defined contribution plan and defined benefit plan. Both plans are un-funded. The details of plans are as follows:

Defined benefit plan

The Company operates a gratuity scheme for all its employees under workmen category who have completed the minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial valuation and charged to income. The most recent valuation was carried out as at June 30, 2012 using "Projected Unit Credit Method".

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses.

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

Details of the schemes are given in note 6.1 to these financial statements.

Defined contribution plan

The Company also operates a contributory scheme for all its employees under non-workmen category. Under this plan, every employee under non-workmen category is entitled to receive gratuity of one month salary based on last month of each year's service. The Company accounts for liability against gratuity amount of each employee at year end and such liability is treated as full and final liability of that year. In future years, the liability amount is not revised for any increase or decrease in salary of any non-workmen.

Compensated absences
The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

2.4.4 Taxation

Current
The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime

Deferred
As more fully explained in note 6.2, the Company has started recognising deferred tax from current year. This recognition has been accounted for as change in accounting estimate as per the requirements of International Accounting Standards 8 - “Accounting Policies, Changes in Accounting Estimates and Errors”.

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 effects 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 Institute of Chartered Accountants of Pakistan.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit 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.

2.4.5 Property, plant and equipment
Company owned

Property, plant and equipment except free hold land, building, plant and machinery, electric installations and capital work-in-progress are stated at cost less accumulated depreciation and impairment, if any.

Freehold land, building, plant and machinery and electric installations are stated at revalued amount being the fair value at the date of revaluation, less subsequent accumulated depreciation and impairment losses, if any. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the balance sheet date. Any revaluation increase arising on the revaluation of such assets is credited to ‘Surplus on Revaluation of Property, Plant and Equipment’. A decrease in the carrying amount arising on revaluation is charged to profit and loss account to the extent that it exceeds the balance, if any, held in the surplus on revaluation of property, plant and equipment relating to a previous revaluation of that asset. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related revalued assets is transferred to unappropriated profit.

Depreciation is charged to income applying the reducing balance method at the rates specified in the note 11. Depreciation on all additions in fixed assets is charged from the month in which the asset is available for use and on disposals upto the month of disposal.

Assets' residual values, if significant, and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of Property, Plant and Equipment have different useful lives, they are recognised as separate items of Property Plant and Equipment.

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

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

Assets held under finance lease

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

Capital work-in-progress

Capital work-in-progress (CWIP) is stated at cost less any impairment loss. All expenditures connected to the specific assets incurred during installation and construction period are carried under CWIP. Expenditures include borrowing costs as referred to in note 2.4.2. These are transferred to specific assets as and when assets are ready for their intended use.

2.4.6 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Definite life

Intangible asset with a finite useful life is amortised on a straight line basis over its useful life. Amortisation begins when the assets is available for use and ceases when the asset is derecognised. Amortisation charge is recognised in the unconsolidated profit and loss account. The rate of amortisation is disclosed in note 12.

The amortisation period for intangible assets with a finite useful life is reviewed at each year end and is changed to reflect the useful life expected at respective year end.

2.4.7 Investment

Regular way purchase or sale of investments

All purchases and sales of investments are recognized using settlement date accounting. Settlement date is the date that the investments are delivered to or by the Company.

Held-to-maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus transaction cost and are subsequently carried at amortized cost using effective interest rate method.

Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.4.8 Stores, spares and loose tools

These are valued at lower of cost and net realizable value, determined on moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

2.4.9 Stock-in-trade

These are valued at lower of cost and net realizable value applying the following basis:

- Raw material - at weighted average cost.
- Material in transit - at cost accumulated upto balance sheet date.
- Work-in-process - at average manufacturing cost.
- Finished goods - at average manufacturing cost.
- Waste - 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 a finished condition and for the estimated costs 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 recognised. A reversal of NRV is recognised in profit and loss account.

2.4.10 Provisions

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

2.4.11 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.4.12 Foreign currencies

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rate prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translations of monetary assets and liabilities denominated in foreign currencies at balance sheet date are included in profit and loss account.

2.4.13 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.

2.4.14 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.4.15 Impairment

Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and inventories may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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.

2.4.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sales are recorded on dispatch of goods or on segregation of goods for delivery against confirmed customer's orders where risks and rewards are transferred to a customer.

- Export rebate is recognised on accrual basis at the time of making the export sale.

- Interest income is accrued on a time proportionate basis by reference to the principal outstanding and at the applicable effective interest rate.

2.4.17 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 consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value, and short-term running finance.

2.4.18 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 future for goods and services received whether billed to Company or not.

2.4.19 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved for distribution to shareholders.

2.4.20 Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair values. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the consolidated profit and loss account.

2.4.21 Critical judgments and accounting estimates in applying the accounting policies

In the process of applying the Company's accounting policies, the management has not identified any area where significant judgments have been exercised which have material impact on the financial statements, except as mentioned below. Further, there are no key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date that have significant risks of causing a material adjustment within the next financial year. The Company has used significant judgment & estimates in the following areas:

- Impairment in property and equipment.
- Useful life of property and equipment.
- Provision for tax and deferred tax.
- Net realisable value of stock-in-trade.
- Staff retirement benefits

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2012	2011		2012	2011
Number of shares			...........Rupees...........	
		Ordinary shares of Rs. 10 each fully paid:		
13,100,000	13,100,000	In cash	**131,000,000**	131,000,000
4,224,750	4,224,750	As bonus shares	**42,247,500**	42,247,500
17,324,750	17,324,750		**173,247,500**	173,247,500

3.1 There were no movements during the reporting periods

3.2 The Company has one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

3.3 Following shares were held by an associate of the Company as at the balance sheet date.

	2012	2011
	Number of ordinary shares of Rs.10 each	
Salfi Textile Mills Limited	**3,967,500**	3,967,500

3.4 The Company has no reserved shares for issuance under options and sales contracts.

	Note	2012	2011
		........Rupees.........	
4. Surplus on revaluation of property, plant and equipment - Net of Tax			
Opening balance		**897,799,038**	944,649,981
Transferred to unappropriated profit on account of			
- incremental depreciation		**(40,124,836)**	(43,756,176)
- disposal		**(5,668,864)**	(3,094,767)
Related deferred tax liability		-	-
Effect of valuation of property, plant and equipment carried out at year end	11.1	**143,700,924**	-
		97,907,224	(46,850,943)
Closing balance		**995,706,262**	897,799,038
Related deferred tax liability			
Opening balance		-	-
Effect of valuation of property, plant and equipment		**17,260,404**	-
Closing balance		**(17,260,404)**	-
		978,445,858	897,799,038
5. LONG-TERM FINANCING			
From banking companies and other financial institutions - secured			
Demand finances	5.1	**118,681,324**	137,826,406
Term finances	5.2	**57,060,000**	49,348,471
Vehicle loans	5.3	**7,134,663**	8,661,547
Export oriented projects (EOP)	5.4	**107,928,265**	165,104,715
		290,804,252	360,941,139
From related party-unsecured			
Subordinated loan	5.5	**25,000,000**	25,000,000
		315,804,252	385,941,139
Less: Current portion:			
Demand finances		**(48,913,206)**	(48,913,200)
Term finance		**(4,035,000)**	(1,473,372)
Vehicle loans		**(2,557,402)**	(3,611,628)
Export oriented projects (EOP)		**(25,316,500)**	(69,676,905)
		(80,822,108)	(123,675,105)
		234,982,144	262,266,034

5.1 These facilities were obtained from banking company which are secured against first pari passu charge over building property, plant and equipment of the Company, specific charge over new machinery and personal guarantee of directors. These facilities carry mark-up at the rates ranging from 3 months' KIBOR plus 1 % to 1.5 % per annum (2011: 3 months' KIBOR plus 1 % to 1.5 % per annum) with quarterly payments. These facilities are repayable in 16 to 20 installments commencing from August 2009 to November 2014 respectively. The aggregate unavailed long-term finance facilities available amounting to Rs. 124.58 million (2011: Rs. 4 million).

5.2 These loans were obtained from banking companies which are secured against joint/first pari passu charge on all present and future fixed assets including land, building, plant and machinery and charge on specific machinery. These loans carry markup at the rate 3 and 6 months' average KIBOR plus 1.25 % (2011: 3 and 6 months' average KIBOR plus 1.25% to 2%). These loans are repayable in 10 and 16 equal half yearly installments commencing from October 2010 and January to March 2013 respectively.

5.3 These represent loans obtained from banking company which are secured against vehicles acquired from such loans and guarantee of the Company. These loans carry mark-up at the rate of 13% (2011: 13 %) per annum and are repayable in 60 equal monthly installments commencing from September 2006 to May 2012. The unavailed facility as at June 30, 2012 is Rs. 1.1 million (2011: 3.1 million).

5.4 These loans were obtained from banking companies which are secured against joint/first pari passu charge on all present and future fixed assets including land, building, plant and machinery and charge on specific machinery. These loans carry mark-up ranging from 7 % to 12.70 % (2011: 7 % to 10.7 %) per annum. These loans are repayable in 8 to 16 half yearly installments commencing from January 2010 to October 2013 respectively.

5.5 This represents an unsecured subordinated loan obtained from Tata Energy Limited (an associated undertaking). The loan carries mark-up at the rate 6 months' average KIBOR plus 1.5% p.a (2011: 6 months' average KIBOR plus 1.5% per annum) repriced quarterly. The loan shall be repaid by the Company in four equal half-yearly installments of Rs. 6.25 million after the repayment of term finance loan obtained from National Bank of Pakistan Limited amounting to Rs. 200 million.

5.6 Management considers that there is no significant non compliance of agreements with banking companies, financial institutions and related party, where the Company is exposed to penalties.

	Note	2012	2011
		...........Rupees..........	
6. DEFERRED LIABILITIES			
Staff gratuity	6.1	**30,148,868**	26,454,078
Compensated absences		**2,017,086**	1,744,980
Deferred taxation	6.2	**28,925,804**	-
		61,091,758	28,199,058
6.1 Staff gratuity			
Workmen - Defined benefit plan	6.1.1	**4,473,217**	3,406,267
Non-workmen - Defined contribution plan	6.1.2	**25,675,651**	23,047,811
		30,148,868	26,454,078
6.1.1 Workmen - Defined benefit plan			
6.1.1.1 Liability recognised in the balance sheet			
Present value of defined benefit obligation	6.1.1.3	**9,716,839**	8,226,276
Unrecognized actuarial loss		**(5,243,622)**	(4,820,009)
		4,473,217	3,406,267
6.1.1.2 Expense recognised in the profit and loss account			
Current service cost		**4,661,633**	4,041,320
Interest cost		**1,151,679**	1,389,535
Actuarial loss recognised		**399,738**	306,070
		6,213,050	5,736,925

	Note	2012	2011
		……….Rupees……….	
6.1.1.3 Changes in the present value of the defined benefit obligation			
Opening defined benefit obligation		**8,226,276**	6,757,897
Current service cost		**4,661,633**	4,041,320
Interest cost		**1,151,679**	1,389,535
Actuarial loss		**823,351**	1,083,524
Benefits paid		**(5,146,100)**	(5,046,000)
Closing defined benefit obligation		**9,716,839**	8,226,276
6.1.1.4 Movement in defined benefit plan			
Opening balance		**3,406,267**	2,715,342
Charge for the year	6.1.1.2	**6,213,050**	5,736,925
Paid during the year		**(5,146,100)**	(5,046,000)
Closing balance		**4,473,217**	3,406,267

	2012	2011
6.1.1.5 The principal assumptions used in the valuation of gratuity (Workmen - Defined benefit plan) are as follows:		
Discount rate	**12.50%**	14.00%
Expected rate of salary increase	**12.50%**	13.50%

6.1.1.6 Amounts for the current and previous four years are as follows:

	2012	2011	2010	2009	2008
	……………….. Rupees……………………				
Defined benefit obligation	4,473,217	3,406,267	2,715,342	2,757,148	2,665,409
Fair value of Plan assets	-	-	-	-	-
Net Liability	**4,473,217**	3,406,267	2,715,342	2,757,148	2,665,409

6.1.1.7 Experience adjustments on obligation and plan assets

	2012	2011	2010	2009	2008
Present value of obligation	**9,716,839**	8,226,276	6,757,897	7,566,942	5,760,490
Fair value of plan assets	-	-	-	-	-
Deficit	**9,716,839**	8,226,276	6,757,897	7,566,942	5,760,490
Actuarial loss / (gain) on obligation	**823,351**	1,083,524	(429,481)	1,908,485	1,204,097

	2012	2011
	……….Rupees……….	
6.1.2 Non-workmen - Defined contribution plan		
Opening balance	**23,047,811**	20,077,587
Charge for the year	**6,650,153**	6,470,385
Paid during the year	**(4,022,313)**	(3,500,161)
Closing balance	**25,675,651**	23,047,811

6.2 Deferred taxation

6.2.1 During the year, the Company has recorded provision for taxation under normal tax regime.

Previously, the Company had opted the Income Tax Circular No. 20 of 1992, according to which the Company's export sales, which were more than 80% of total sales, and local sales of goods (manufactured for export) as well as waste material, which were not more than 20% of total production, were treated as export sales. As a result, the Company had recognized the provision for taxation for local sale other than sale of raw material at rate applicable to export sales.

As the Company's income falls under normal tax regime, the Company has started recognising deferred tax from this year. Previoulsy, deferred tax had not been recognised as all income other than income from sale of raw material of the Company falls under the Final Tax Regime. While the Company had not claimed any expenses other than cost of raw material sold against income from sale of raw material.

	Opening balance	Deffered tax Recognised in		Closing balance
		Profit and Loss Account	Surplus on revaluation of assets	
	....	...Rupees...	....	
Movement for the year ended June 30, 2012				
Deferred tax liabilities on taxable temporary differences arising in respect of :				
- Property, plant and equipment - owned assets	-	15,518,016	-	15,518,016
- Surplus on revaluation of property, plant and equipment	-	-	17,260,404	17,260,404
	-	15,518,016	17,260,404	32,778,420
Deferred tax assets on deductible temporary differences arising in respect of :				
- Staff gratuity	-	(577,084)	-	(577,084)
- Unrealized Gain of Forward Contract	-	105,308	-	105,308
- Carry forward losses	-	(3,380,840)	-	(3,380,840)
	-	11,665,400	17,260,404	28,925,804
Movement for the year ended June 30, 2011				
Deferred tax liabilites	-	-	-	-
Deferred tax assets	-	-	-	-
	-	-	-	-

	Note	2012	2011
		..........Rupees..........	
7. TRADE AND OTHER PAYABLES			
Creditors		**59,097,015**	45,355,750
Accrued liabilities		**157,570,122**	125,253,487

	Note	2012	2011
		……….Rupees……….	
Retention money		**2,840,299**	-
Withholding income tax		**480,059**	850,538
Workers' Profit Participation Fund	7.1	**4,301,270**	19,588,233
Workers' Welfare Fund		**23,440,841**	19,525,680
Unclaimed dividend		**3,516,916**	2,917,193
Foreign bills payable		**21,822,020**	30,363,380
Other liabilities		**230,264**	763,246
		273,298,806	244,617,507

7.1 Workers' Profit Participation Fund

Opening balance		**19,588,233**	24,556,797
Allocation during the year		**4,301,270**	19,588,233
Interest on funds utilized in the Company's business	27	**3,600,542**	2,346,351
		27,490,045	46,491,381
Amount paid to the fund		**(23,188,775)**	(26,903,148)
Closing balance		**4,301,270**	19,588,233

8. INTEREST / MARK-UP ACCRUED ON LOANS

Long-term financing			
- from banking companies		**3,976,901**	3,503,918
- from related party		**17,704,667**	14,140,327
Short-term borrowings		**15,366,397**	31,468,884
		37,047,965	49,113,129

9. SHORT-TERM BORROWINGS

From banking companies - secured			
Running / cash finances	9.1	**720,320,926**	480,988,271
Finance against import / export	9.2	**222,742,727**	1,695,463,866
	9.3	**943,063,653**	2,176,452,137

9.1 These carry mark-up at the rates ranging from three to six months KIBOR plus 0.50 % to 1.75 % (2011: 3 months KIBOR plus 0.75 % to 2 %) per annum. These facilities are secured against pledge of stock and pari passu charge over stock and receivables and personal guarantee of sponsor directors.

9.2 These facilities carry mark-up at the rate ranging from 3 months' average LIBOR / KIBOR plus 1.75 % (2011: 3 months' average LIBOR / KIBOR plus 1 % to 4.25 %) per annum. These arrangements are secured against pledge of stock and trust receipts.

9.3 These facilities are available from various commercial banks of Rs. 3,020 million (2011: Rs. 2,572 million) from which the aggregate unavailed short-term borrowings facilities are of Rs. 2,077 million (2011: Rs. 396 million).

10. CONTINGENCIES AND COMMITMENTS

	Note	2012	2011
		..........Rupees..........	
Contingencies			
Amount claimed by WAPDA against installation of requisite panel, not acknowledged by the Company		**337,114**	337,114
Delayed payment surcharge on debentures, demanded by Collector of Customs not acknowledged by the Company		**496,166**	496,166
Commitments			
Letters of credit for store, machinery and raw material		**124,097,535**	3,778,171
Bank guarantees issued on behalf of the Company	10.1	**93,465,757**	92,823,957
Bills discounted		**1,161,575,277**	653,849,865
Forward contracts		**693,443,603**	-

10.1 This includes bank guarantee related infrastructure cess amounting to Rs. 43.95 million (2011: Rs. 40.7 million) which has been provided by the Company.

11. PROPERTY, PLANT AND EQUIPMENT

	2012	2011
	..........Rupees..........	
Operating assets	2,389,942,153	2,196,529,848
Capital work in progress	10,401,462	90,776,111
	2,400,343,615	2,287,305,959

11.1 Operating assets

Particulars	Note	Cost/ revaluation at July 01, 2011	Additions during the year	Disposals during the year	Adjustment of Accumulated depreciation	Revaluation surplus / (deficit) during the year	Cost/ revaluation at June 30, 2012	Accumulated depreciation at July 01, 2011	Depreciation for the year	Disposals	Adjustment of Accumulated depreciation	Accumulated depreciation and impairment at June 30, 2012	Written down value at June 30, 2012	Rate %
		RUPEES												
Company owned														
Free hold land		90,130,000	-	-	-	22,502,500	112,632,500	-	-	-	-	-	112,632,500	-
Buildings on free hold land		475,173,248	7,720,656	-	(87,727,631)	101,468,487	496,634,760	67,289,761	20,437,870	-	(87,727,631)	-	496,634,760	5
Plant and machinery		1,944,324,664	114,777,559	(14,910,021)	(400,544,634)	19,729,938	1,663,377,506	320,017,128	82,909,808	(2,382,302)	(400,544,634)	-	1,663,377,506	5
Factory and workshop equipments		12,277,713	723,500	(2,225,757)	-	-	10,775,456	6,255,082	644,747	(2,225,757)	-	4,674,072	6,101,384	10
Electric installations		64,412,652	-	(4,056,814)	-	-	60,355,838	25,023,678	3,828,712	(2,246,611)	-	26,605,779	33,750,059	10
Office premises	11.1.1	4,968,938	22,533,371	-	-	-	27,502,309	2,884,926	396,179	-	-	3,281,105	24,221,204	10
Furniture and fixtures		9,506,322	10,161,465	(3,880,997)	-	-	15,786,790	6,561,398	379,172	(3,880,997)	-	3,059,573	12,727,217	10
Office equipment		14,088,162	13,460,566	(3,741,031)	-	-	23,807,697	9,834,897	1,519,015	(3,741,031)	-	7,612,881	16,194,816	10-30
Vehicles		36,353,535	11,426,753	(5,015,561)	-	-	42,764,727	16,838,516	4,984,473	(3,360,970)	-	18,462,019	24,302,708	20
June 30, 2012		2,651,235,234	180,803,870	(33,830,181)	(488,272,265)	143,700,924	2,453,637,582	454,705,386	115,099,976	(17,837,668)	(488,272,265)	63,695,429	2,389,942,153	

Particulars	Cost/ revaluation at July 01, 2010	Additions during the year	Disposals during the year	Cost/ revaluation at June 30, 2011	Accumulated depreciation at July 01, 2010	Depreciation for the year	Depreciation on transfers	Disposals	Accumulated depreciation and impairment at June 30, 2011	Written down value at June 30, 2011	Rate %
	....	....	....	....	R U P E E S	....	....	....	....	....	
Company owned											
Free hold land	90,130,000	-	-	90,130,000	-	-	-	-	-	90,130,000	-
Buildings on free hold land	472,939,287	2,233,961	-	475,173,248	45,920,637	21,369,124	-	-	67,289,761.00	407,883,487	5
Plant and machinery	1,762,698,334	85,752,968	(4,033,582)	1,944,324,664	209,365,544	81,445,387	29,720,815	(514,618)	320,017,128.00	1,624,307,536	5
Factory and workshop equipments	12,046,704	231,009	-	12,277,713	5,602,141	652,941	-	-	6,255,082.00	6,022,631	10
Electric installations	64,412,652	-	-	64,412,652	20,647,125	4,376,553	-	-	25,023,678.00	39,388,974	10
Office premises	4,968,938	-	-	4,968,938	2,653,369	231,557	-	-	2,884,926.00	2,084,012	10
Furniture and fixtures	9,467,772	38,550	-	9,506,322	6,237,396	324,002	-	-	6,561,398.00	2,944,924	10
Office equipment	12,636,536	1,451,626	-	14,088,162	8,948,486	886,411	-	-	9,834,897.00	4,253,265	10-30
Vehicles	36,491,215	5,933,970	(6,071,650)	36,353,535	16,891,559	4,394,669	-	(4,447,712)	16,838,516.00	19,515,019	20
	2,465,791,438	95,642,084	(10,105,232)	2,651,235,234	316,266,257	113,680,644	29,720,815	(4,962,330)	454,705,386.00	2,196,529,848	
Assets held under finance lease											
Plant and machinery	99,906,944	-	-	-	29,720,815	-	(29,720,815)	-	-	-	5
	99,906,944	-	-	-	29,720,815	-	(29,720,815)	-	-	-	
June 30, 2011	2,565,698,382	95,642,084	(10,105,232)	2,651,235,234	345,987,072	113,680,644	-	(4,962,330)	454,705,386.00	2,196,529,848	

11.1.1 During the year, the Company has recognized capital expenditure incurred on renovation of their office premises. The tittle of premises is on the name of director who has provided rent free premises to the Company.

	Note	2012	2011
		..........Rupees..........	
11.2 Depreciation for the year has been allocated as under:			
Cost of goods manufactured	22.1	**110,394,171**	110,856,064
Administrative expenses	24	**4,705,805**	2,824,580
		115,099,976	113,680,644

11.3 Had there been no revaluation the related figures of freehold land, building on freehold land, plant and machinery and electric installations at June 30, 2012 would have been as follows :

	2012			2011		
	Cost	Accumulated Depreciation	Written down value	Cost	Accumulated Depreciation	Written down value
	......Rupees......					
Land - freehold land	**20,612,299**	**-**	**20,612,299**	20,612,299	-	20,612,299
Building on free hold land	**262,466,960**	**120,394,836**	**142,072,124**	254,746,304	113,289,844	141,456,460
Plant and Machinery	**1,931,868,095**	**815,643,727**	**1,116,224,368**	1,837,374,043	772,997,590	1,064,376,453
Electric installations	**58,493,501**	**26,713,731**	**31,779,770**	71,442,718	33,976,971	37,465,747
	2,273,440,855	**962,752,294**	**1,310,688,561**	2,184,175,364	920,264,405	1,263,910,959

Revaluation of free hold land, building and plant and machinery had been carried out on September 30, 2003, June 30, 2008 and June 30, 2012 while revaluation of electric installations had been carried out on September 30, 2003 by independent professional valuers M/s. Iqbal A. Nanjee & Co. on the basis of market value or depreciated replacement values as applicable. Revaluation surplus has been credited to surplus on revaluation of property, plant and equipment account to comply with the requirement of Section 235 of the Companies Ordinance, 1984.

11.4 Disposal of property, plant and equipment - by negotiations / policy / claim

Particulars	Cost / revalued amount	Accumulated depreciation	Written down value	Sale Proceeds	Mode of disposal	Name and Address
	......Rupees......					
Vehicle	509,040	356,138	152,902	222,600	Policy	Abdul Shaji Khan Staff
Vehicle	1,512,724	920,220	592,504	1,398,000	Claim	Insurance Claim
Vehicle	733,600	368,430	365,170	600,000	Claim	Insurance Claim
Vehicle	1,226,957	987,359	239,598	756,999	Negotiation	Mr. Akbar Khan Afridi F.No.1229 Mehela Gosia Colony Central Jail Karachi.
Vehicle	978,700	690,070	288,630	387,600	Policy	Mr. Iqbal Saeed Staff
Motor Cycle	54,540	38,753	15,787	21,600	Policy	Mr. Shoaib Essani Staff
Container (140 Feet)	220,000	24,745	195,255	225,000	Negotiation	Tata Best Foods Ltd. 8, 8th Floor Textile Plaza M.A. Jinnah Road Karachi.
Electric Installation	4,056,814	2,246,611	1,810,203	17,612,158	Claim	Insurance Claim
Plant and Machinery	14,690,021	2,357,557	12,332,464			
Sale of Impair Assets	9,847,785	9,847,785	-	177,586	Negotiation	Scrape Sale
June 30, 2012	**33,830,181**	**17,837,668**	**15,992,513**	**21,401,543**		
June 30, 2011	10,105,232	4,962,330	5,142,902	9,234,486		

	Note	2012	2011
		..........Rupees..........	
11.5 Capital work-in-Progress			
Civil work	11.5.1	**4,359,825**	27,303,549
Machinery and electric installation	11.5.2	**6,041,637**	63,442,562
Others	11.5.3	**-**	30,000
		10,401,462	90,776,111
11.5.1 Civil work			
Opening balance		**27,303,549**	1,887,270
Addition during the year		**52,304,236**	27,650,240
		79,607,785	29,537,510
Less : Transferred during the year		**(41,447,905)**	(2,233,961)
Transferred to associated undertakings		**(33,800,055)**	-
Closing balance		**4,359,825**	27,303,549
11.5.2 Machinery and electric installation			
Opening balance		**63,442,562**	344,084
Addition during the year		**57,700,634**	148,851,446
		121,143,196	149,195,530
Less : Transferred during the year		**(115,101,559)**	(85,752,968)
Closing balance		**6,041,637**	63,442,562
11.5.3 Others			
Opening balance		**30,000**	184,000
Addition during the year		**22,078,256**	6,129,229
		22,108,256	6,313,229
Less : Transferred during the year		**(22,108,256)**	(6,283,229)
Closing balance		**-**	30,000

	Note	2012	2011
12. INTANGIBLE ASSETS		..........Rupees..........	
License Fee	12.1	485,070	-
Capital work in progress	12.2	7,283,331	4,083,331
		7,768,401	**4,083,331**

12.1 License fee

	COST			AMORTIAZTION			Book Value	Rate of
	As at July 01, 2011	Addition	As at June 30, 2012	As at July 01, 2011	Charge for the year	As at June 30, 2012	as at June 30, 2012	Amortization
	..........Rupees..........							
License fee								
2012	**-**	**510,600**	**510,600**	**-**	**25,530**	**25,530**	**485,070**	**20.00%**
2011	-	-	-	-	-	-	-	20.00%

12.2 This represents amount paid in respect of license fee and implementation charges for development and implementation of ERP project.

		Note	2012	2011
			..........Rupees..........	
13.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores and spares	13.1	**46,931,352**	49,118,951
	Loose tools		**353,967**	164,650
			47,285,319	49,283,601

13.1 It includes stores and spares in transit amounting to Rs. 7.8 million (2011: Rs. 13.6 million).

		Note	2012	2011
14.	**STOCK-IN-TRADE**			
	Raw material	14.1	**758,249,249**	1,330,654,239
	Work-in-process		**39,454,292**	36,706,864
	Finished goods		**105,695,449**	692,497,504
	Waste		**29,712,342**	56,496,981
		14.2	**933,111,332**	2,116,355,588

14.1 It includes raw material in transit amounting to Rs. 24.2 million (2011: Rs. 167.2 million).

14.2 At year end, net realizable values of raw material, work-in-process and finished goods were lower than their cost, which resulted in write-downs of Rs. nil (2011: Rs. 516 million), Rs. nil (2011: Rs. 11 million) and Rs. nil (2011: Rs. 225 million) respectively and were charged to cost of sales.

		Note	2012	2011
			..........Rupees..........	
15.	**TRADE DEBTS - Considered good**			
	Export	15.1	**19,740,000**	222,682,048
	Local		**99,341,376**	72,912,165
			119,081,376	295,594,213

15.1 These are secured against letters of credit in favor of the Company.

15.2 Trade debts are non-interest bearing and are generally on 7 to 90 (2011: 10 to 90) day terms.

15.3 Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

15.4 Trade debts include debtors with a carrying amount of Rs. 36.87 million (2011: Rs. 33 million) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

	Note	2012	2011
15.4.1 Aging of past due but not impaired		..........Rupees..........	
1-30 days		**22,772,841**	29,654,246
31-90 days		**7,462,184**	2,800,100
91-120 days		-	38,477
121 days and above		**6,635,234**	510,804
		36,870,259	33,003,627

		Note	2012	2011
			..........Rupees..........	
16.	**LOANS AND ADVANCES - Considered good**			
	Due from employees		**3,682,104**	2,558,235
	Advances to creditors		**1,916,003**	4,714,096
	Advances for expenses		**575,622**	93,434
	Advance income tax		**80,299,474**	141,967,482
	Advances against letters of credit		**8,242,795**	669,534
			94,715,998	150,002,781
17.	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**			
	Bank guarantee margin		**811,241**	811,241
	Short-term prepayments		**2,576,857**	2,614,626
			3,388,098	3,425,867

18. This represents amount receivable from associated undertakings on account of reimbursement of capital expenditure.

		Note	2012	2011
			..........Rupees..........	
19.	**OTHER FINANCIAL ASSETS**			
	Investment Held-to-maturity	19.1	**2,643,185**	2,483,184
	Unrealized gain on revaluation of forward contracts		**5,501,665**	-
			8,144,850	2,483,184

19.1 This represents investment made in term deposit receipts held for a period of 6 months with a markup rate of 11 % (2011: 12.5 %) per annum.

		Note	2012	2011
20.	**CASH AND BANK BALANCES**		..........Rupees..........	
	Cash at bank			
	On current accounts		**117,041,559**	65,618,836
	On saving accounts	20.1	**681,974**	760,917
			117,723,533	66,379,753
	Cash in hand		**1,381,903**	816,265
			119,105,436	67,196,018

20.1 This represents the amount held in savings accounts with the banks on which the mark up rate ranging between 6% (2011 : 5% to 7%) per annum.

		Note	2012	2011
21.	**SALES-Net**		..........Rupees..........	
	Export			
	-Yarn		**3,672,387,042**	3,561,795,783
	-Yarn (indirect export)		**877,659,424**	1,022,915,141
	-Waste		**343,905,086**	374,432,495
			4,893,951,552	4,959,143,419

	Note	2012	2011
		..........Rupees..........	
Local			
-Yarn		**91,213,083**	47,819,939
-Raw Material		**113,167,884**	91,296,183
Waste		**87,902,742**	110,983,626
		292,283,709	250,099,748
		5,186,235,261	5,209,243,167
Discount		**-**	(11,169,953)
		5,186,235,261	5,198,073,214

22. COST OF GOODS SOLD

	Note	2012	2011
Cost of goods manufactured	22.1	**3,837,457,064**	4,955,211,760
Finished goods			
Opening stock		**748,994,485**	160,298,781
Closing stock	22.2 & 22.3	**(135,407,791)**	(748,994,485)
		613,586,694	(588,695,704)
Cost of goods manufactured sold	22.3	**4,451,043,758**	4,366,516,056
Cost of raw material sold		**113,160,439**	61,160,951
		4,564,204,197	4,427,677,007

22.1 Cost of goods manufactured

	Note	2012	2011
Raw material consumed	22.1.1	**3,052,957,836**	4,081,990,152
Stock-in-transit -write down		**-**	136,316,570
Packing material consumed		**67,227,214**	64,426,828
Stores and spares consumed		**82,249,576**	74,366,827
Salaries, wages and benefits	22.1.2	**176,144,401**	164,104,795
Power and fuel		**318,607,248**	274,347,333
Insurance		**19,018,555**	17,257,220
Repairs and maintenance		**6,611,467**	5,296,821
Depreciation	11.2	**110,394,171**	110,856,064
Processing charges		**-**	34,957,833
Other overheads		**6,994,024**	8,172,407
		3,840,204,492	4,972,092,850
Work-in-process			
Opening stock		**36,706,864**	19,825,774
Closing stock	14 & 22.3	**(39,454,292)**	(36,706,864)
		(2,747,428)	(16,881,090)
		3,837,457,064	4,955,211,760

		Note	2012	2011
			..........Rupees..........	
22.1.1	**Raw material consumed**			
	Opening stock		**1,163,382,050**	839,449,589
	Purchases - net		**2,623,565,036**	4,405,922,613
			3,786,947,086	5,245,372,202
	Closing stock	14 & 22.3	**(733,989,250)**	(1,163,382,050)
			3,052,957,836	4,081,990,152

22.1.2 Salaries, wages and benefits include Rs. 10 million (2011: Rs. 9 million) in respect of staff retirement benefits.

22.2 It includes waste stock amounting to Rs. 30 million (2011: Rs. 56 million).

22.3 Raw materials consumed, work in process and finished goods have been adjusted for NRV write downs of Rs. Nil (2011: Rs. 516 million), Rs. Nil (2011: Rs. 11 million), Rs. Nil (2011: Rs. 225 million) respectively.

23. DISTRIBUTION COST

	Note	2012	2011
		..........Rupees..........	
Export development surcharge		**10,199,767**	9,816,719
Inland freight on export		**25,161,900**	16,542,100
Ocean freight		**31,632,095**	39,478,441
Bank charges		**14,931,293**	17,979,297
Forwarding charges		**3,098,936**	3,008,635
Postage and telegram		**1,608,206**	506,468
Wharfage		**6,077,218**	4,455,880
Miscellaneous export expenses		**2,794,463**	3,054,830
Brokerage and commission		**61,745,320**	72,265,792
Claim from customers		**8,611,014**	1,573,637
Others		**3,876,932**	2,566,769
		169,737,144	171,248,568

24. ADMINISTRATIVE EXPENSES

	Note	2012	2011
Director's remuneration		**6,411,210**	7,482,371
Staff salaries and benefits	24.1	**36,670,157**	33,104,386
Traveling and conveyance		**4,774,602**	3,854,824
Printing and stationery		**845,553**	1,042,074
Postage and telephone		**1,310,544**	1,233,486
Legal and professional		**2,452,560**	2,049,057
Advertisement		**119,190**	86,792
Repairs and maintenance		**1,302,319**	1,425,664
Vehicles running and maintenance		**2,030,071**	1,772,640
Auditors' remuneration	24.2	**900,000**	870,000
Fees and subscription		**1,494,625**	425,783
Electricity		**2,202,109**	2,277,865
Insurance		**1,044,566**	431,045
Charity and donation	24.3	**3,873,000**	2,835,000
Depreciation	11.2	**4,705,805**	2,824,580
Amortization	12.1	**25,530**	-
Others		**1,010,784**	931,886
		71,172,625	62,647,453

24.1 Staff salaries and benefits include Rs. 3 million (2011: Rs. 3 million) in respect of staff retirement benefits.

	Note	2012	2011
		……….Rupees……….	
24.2 Auditors' remuneration			
Audit fee		**500,000**	500,000
Other remuneration as auditor			
- Half yearly review fee		**40,000**	40,000
- Other services		**360,000**	330,000
		900,000	870,000

24.3 None of the directors or their spouses had any interest in the donee's fund.

25. OTHER OPERATING EXPENSES

		2012	2011
Workers' Profit Participation Fund		**4,301,270**	19,588,233
Workers' Welfare Fund		**3,915,161**	7,870,198
Exchange loss - net		**31,818,160**	-
		40,034,591	27,458,431

26. OTHER OPERATING INCOME

		2012	2011
Income from financial assets			
Profit on bank accounts		**731,388**	851,295
Unrealized gain on revaluation of forward contracts		**5,501,665**	-
Exchange gain - net		-	34,441,929
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		**5,409,030**	4,091,584
		11,642,083	39,384,808

27. FINANCE COST

	Note	2012	2011
Mark-up on :			
Long-term financing			
- from banking companies		**37,747,742**	44,602,135
- from related party		**3,564,340**	3,684,109
Short-term borrowings		**193,698,413**	105,867,431
Lease finance charges		-	709,784
Interest on Workers' Profit Participation Fund	7.1	**3,600,542**	2,346,351
Bank guarantee commission		**478,184**	1,426,167
Bank charges		**1,987,527**	1,730,768
Letter of credits discounting charges		**26,532,716**	22,008,351
		267,609,464	182,375,096

28. TAXATION

		2012	2011
Current			
- for the year		**53,570,473**	62,585,484
- for prior year		**(21,491,755)**	-
Deferred		**11,665,400**	-
		43,744,118	62,585,484

	2012	2011
	..........Rupees..........	

28.1 Relationship between tax expense and accounting profit

	2012	2011
Accounting profit	**85,119,323**	366,051,467
Tax @ 35% (2011: 35%)	**29,791,763**	128,118,013
Effects of:		
Effect of tax under final tax regime	**50,647,636**	(65,532,529)
Effect of Minimum Tax	**2,922,837**	-
Income tax for prior years	**(21,491,755)**	-
Effect of deferred tax liability	**11,665,400**	-
Effect of expenses that are not deductible	**(29,791,763)**	-
	43,744,118	62,585,484

29. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company which is based on :

		2012	2011
Profit for the year	**Rupees**	**41,375,205**	303,465,983
Weighted average number of ordinary shares outstanding during the year	**No. of shares**	**17,324,750**	17,324,750
Earnings per share	**Rupees**	**2.39**	17.52

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012				2011			
		Directors				Directors		
	Chief Executive	Executives	Non-Executives	Executives	Chief Executive	Executives	Non-Executives	Executives
	Rupees							
Meeting fee	**15,000**	**30,000**	**80,000**	**-**	20,000	40,000	80,000	-
Managerial remuneration	**6,411,210**	**-**	**-**	**28,809,188**	5,574,971	1,907,400	-	25,963,996
Bonus/Ex-gratia	**578,266**	**-**	**-**	**2,245,132**	602,840	50,000	-	2,200,025
Retirement benefits	**578,266**	**-**	**-**	**2,538,272**	502,840	-	-	2,175,025
Leave encashment	-	-	-	**1,261,292**	**-**	**-**	**-**	1,087,512
Utilities	**833,106**	**-**	**-**	**-**	938,460	-	-	-
	8,415,848	**30,000**	**80,000**	**34,853,884**	7,639,111	1,997,400	80,000	31,426,558
No. of persons	1	2	4	17	1	2	4	16

30.1 The Chief Executive and Executive Directors are also entitled for use of car owned and maintained by the Company.

31. CASH AND CASH EQUIVALENTS

	Note	2012	2011
		..........Rupees..........	
Cash and bank balances	20	**119,105,436**	67,196,018
Short-term running finances	9	**(720,320,926)**	(480,988,271)
		(601,215,490)	(413,792,253)

	2012	2011

32. PLANT CAPACITY AND ACTUAL PRODUCTION

	2012	2011
Number of spindles installed	**44,400**	44,400
Number of spindles worked	**44,400**	44,400
Number of shifts per day	**3**	3
Installed capacity after conversion into 20/s count-kgs	**13,088,089**	13,088,089
Actual production of yarn after conversion into 20/s count-kgs	**14,332,303**	15,466,385

33. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings and key management personnel. The transactions between the Company and the related parties are carried out as per agreed terms. There is no balance outstanding with or from associated undertakings except long-term loan disclosed in note 5, interest accured on long-term loan in note 8 and reimbursement of capital expenditure in note 18. Remuneration of key management personnel is disclosed in note 30 and amount due in respect of staff retirement benefits is disclosed in note 6. Other significant transactions with related parties are as follows:

Relationship with the party	Nature of transactions	2012	2011
		……….Rupees……….	
Associated undertakings	Purchase of assets	**174,000**	-
	Sale of goods	**111,622,884**	11,343,542
	Share of expenses paid	**4,656,832**	11,737,977
	Share of expenses received	**1,026,605**	2,493,065
	Markup charges	**3,564,340**	3,684,109
	Purchase of stores and spares	-	2,889,767
	Dividend paid	**11,902,500**	9,918,750
	Processing charges	-	34,957,833
	Sale of assets	**225,000**	-
	Share of capital expenditure		
	- Office renovation	**33,800,055**	-
Directors	Rent of godown	**240,000**	240,000

34. FINANCIAL RISK MANAGEMENT

34.1 The Company's principal financial liabilities comprise long-term financing, liabilities against assets subject to finance lease, short-term borrowing and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has trade debts, loans and advances, other receivables, cash and bank balances and short-term deposits that arrive directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and price risk), credit risk and liquidity risk.

34.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 286.6 million (2011: Rs. 381.9 million), the financial assets which are subject to credit risk amounted to Rs. 285.2 million (2011: Rs. 380.5 million). The Company manages credit risk in trade debts by assigning credit limits to its customers and thereby does not have significant exposure to any individual customer.

The Company is exposed to credit risk from its operating activities (primarily for trade debts and loans and advances) and from its investing activities, including deposits with banks and financial institutions and other financial instruments. The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating. The names and credit rating of major banks where the Company maintains its bank balances are as follows:

Name of Bank	Rating agency	Credit rating Short-term	Credit rating Long-term
Bank Al-falah Limited	PACRA	**A1+**	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	**A-1**	A
Faysal Bank Limited	JCR-VIS	**A-1+**	AA
Habib Metropolitan Bank Limited	PACRA	**A1+**	AA+
MCB Bank Limited	PACRA	**A1+**	AA+
National Bank of Pakistan Limited	JCR-VIS	**A-1+**	AAA
Soneri Bank Limited	PACRA	**A1+**	AA-
Allied Bank Limited	PACRA	**A1+**	AA+
NIB Bank Limited	PACRA	**A1+**	AA-
Bank of Punjab	PACRA	**A1+**	AA-
Bank Islami Pakistan Limited	PACRA	**A1**	A

34.2.1 Credit risk related to receivables

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

34.3 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.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts. 81% of the Company's debt will mature in less than one year at June 30, 2012 (2011: 90%) based on the carrying value of borrowings reflected in the financial statements.

34.3.1 Liquidity and Interest Risk Table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Interest Rate	Less than 1 month	1 - 3 months	3 months- 1 year	1-5 years	More than 5 years	Total
	...Rupees...						
2012							
Long term financing	**7% - 15.61%**	**3,594,632**	**22,781,753**	**89,937,619**	**268,747,784**	**38,036,049**	**423,097,837**
Trade and other payables		-	**245,076,636**	**-**	**-**	**-**	**245,076,636**
Interest / mark-up accrued on loans		**31,707,208**	**5,340,758**	**-**	**-**	**-**	**37,047,966**
Short-term borrowings	**Three months LIBOR / KIBOR plus 0.50 % to 1.75 %**	**-**	**-**	**943,063,653**	**-**	**-**	**943,063,653**
		35,301,840	**273,199,147**	**1,033,001,272**	**268,747,784**	**38,036,049**	**1,648,286,092**
2011							
Long term finance	7% - 15.41%	5,071,233	63,653,899	92,658,611	278,451,507	69,068,709	508,903,959
Trade and other payables		-	204,653,056	-	-	-	204,653,056
Interest / mark-up accrued on loans		38,166,953	10,946,176	-	-	-	49,113,129
Short-term borrowings	Three months LIBOR / KIBOR plus 0.75 % to 4.25 %	**-**	**-**	2,176,452,137	-	-	2,176,452,137
		43,238,186	279,253,131	2,269,110,748	278,451,507	69,068,709	2,939,122,28

34.3.2 The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2012	2011
	……….Rupees……….	
6 months or less		
- Short-term borrowings	**943,063,653**	2,176,452,137
- Long-term loans	**200,741,324**	212,174,877
	1,143,804,977	2,388,627,014

34.4 Market Risk Management

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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 optimizing returns.

34.4.1 Interest Rate Risk Management

Interest / mark-up rate risk arises from the possibility that changes in interest / mark up rates will effect the value of financial instruments. The Company has significant amount of interest based financial assets and financial liabilities which are largely based on variable interest / mark-up rates, therefore the Company has to manage the related finance cost which exposes it to the risk of 1 month, 3 months and 6 months KIBOR. Since the impact on interest rate exposure is significant to the Company, management analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account other financing options available.

34.4.2 Interest Rate Sensitivity

If interest rates had been 100 basis points lower / higher and all other variables were held constant, the Company's profit for the year ended June 30, 2012 would increase / decrease by Rs. 11.5 million (2011: Rs. 23.9 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

34.4.3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However, the Company is not materially exposed to foreign currency risk on assets and liabilities. As at June 30, 2012, financial assets include Rs. 56.35 million (2011: Rs. 139.81 million) and financial liabilities include Rs. 220.42 million (2011: Rs.1,718.14 million) which are subject to foreign currency risk against US Dollars.

34.4.4 Foreign Currency Sensitivity Analysis

At June 30, 2012, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been lower / higher by Rs. 16.41 million (2011 : Rs. 157.83 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency trade debts and US Dollar denominated borrowings.

34.5 Determination of fair values

Fair value of financial instruments

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.

34.6 Financial Instruments by Category

The accounting policies for financial instruments have been applied for line items below:

	2012			2011		
	Loan and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
	Rupees					
Assets as per balance sheet						
Deposits	**2,750,310**	**-**	**2,750,310**	1,461,199	-	1,461,199
Trade debts	**119,081,376**	**-**	**119,081,376**	295,594,213	-	295,594,213
Other receivables	**33,800,055**	**-**	**33,800,055**	12,595,428	-	12,595,428
Loans and advances	**3,682,104**	**-**	**3,682,104**	2,558,235	-	2,558,235
Cash and cash bank balances	**119,105,436**	**-**	**119,105,436**	67,196,018	-	67,196,018
Other financial assets	-	**8,144,850**	**8,144,850**	**-**	2,483,184	2,483,184
	278,419,281	**8,144,850**	**286,564,131**	379,405,093	2,483,184	381,888,277

	Financial Liabilities measured at amortized cost	
	2012	2011
	Rupees	
Liabilities as per balance sheet		
Long term loans	**315,804,252**	385,941,139
Trade and other payables	**245,076,636**	204,653,056
Interest / mark-up accrued on loans	**37,047,965**	49,113,129
Short-term borrowings	**943,063,653**	2,176,452,137
	1,540,992,506	2,816,159,461

35. CAPITAL DISCLOSURE

The objectives of the Company when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The capital structure of the Company consists of shareholders' equity and surplus on revaluation of property, plant and equipment. Shareholders' equity consist of share capital and unappropriated profit. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares. The Company's overall strategy remains unchanged from 2011.

The Company is not subject to any externally imposed capital requirements.

36. SUBSEQUENT EVENTS

The Board of Directors at their meeting held on September, 15 2012 have proposed a dividend of Re.1.00 per share (2011: Rs. 3.00 per share), for the year ended June 30, 2012, amounting to Rs. 17.32 million (2011: Rs. 51.97 million), subject to the approval of members at the Annual General Meeting to be held on October, 19 2012.

37. RECLASSIFICATION

Following corresponding figure have been reclassified for the purpose of better presentation:

Statement	Component	Reclassification from	Reclassification to	Rupees
Balance sheet	Intangible assets	Property, plant and equipment	Intangible assets	4,083,331

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on September, 15 2012.

SHAHID ANWAR TATA
CHEIF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN /DIRECTOR

FORM OF PROXY

TATA TEXTILE MILLS LIMITED

I / We ____________________

of ____________________ being a member(s) of TATA TEXTILE MILLS LIMITED registered

at Folio No. ____________________ holder of ____________________

ordinary shares hereby appoint Mr./Mrs./Miss. ____________________

who is also a member of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 26th Annual General Meeting of the Company at the Registered Office of the Company, 8, 8th Floor Textile Plaza, M.A. Jinnah Road, Karachi on Friday, October 19, 2012 at 12:30 P.M. or at any adjournment thereof.

As witness my/our hand this ____________________ day of 2012

signed by the said ____________________ in the presence of

1. Witness:

Signature ____________________

Name ____________________

Address ____________________

Affix Revenue Stamps of Rs.5/-

____
Signature of Member

2. Witness:

Signature ____________________

Name ____________________

Address ____________________

Shareholder's Folio No. ____________________

CDC Participant I.D/Sub A/c # ____________________

CNIC No. | | | | | | | | | | | | | | | |

NOTES:

1. Proxies, in order to be effective, must be receives at the Company's Registered Office 8, 8th Floor Textile Plaza, M.A. Jinnah Road, Karachi, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
2. Signature must agree with the specimen signature registered with the Company.
3. An individual beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC/Passport to prove his/her identity, and in case of proxy must enclose additionally an attested copy of his/her CNIC/Passport. Representative of corporate members should bring the original usual documents required of such purpose.
4. No person shall act as proxy unless he is a member of the Company.

Printed by: Hyder Printers Tel: 021- 36618892