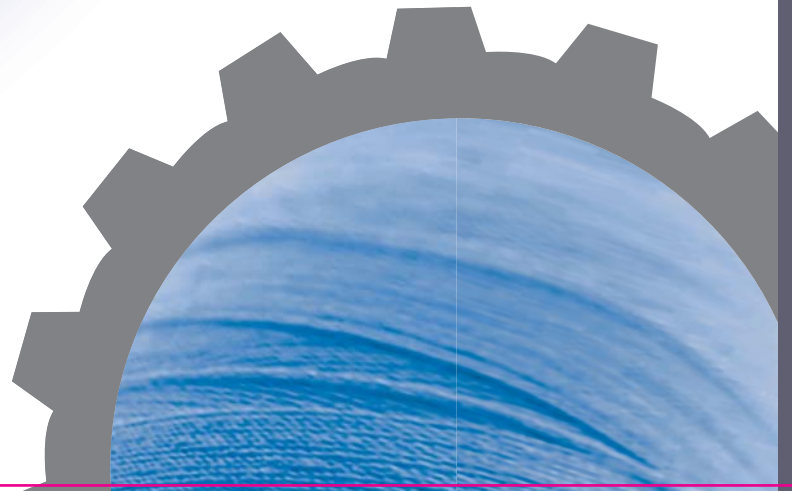




FAZAL TEXTILE MILLS LIMITED

Annual Report
2012





contents

Corporate Information	03
Mission Statement.....	04
Notice of Annual General Meeting	05
Directors' Report	06-08
Key Financial and Operational Data.....	09
Pattern of Shareholding	10-11
Statement of Compliance with Best Practices of Corporate Governance.....	12-13
Review Report to the Members	14
Auditor's Report	15
Balance Sheet.....	16
Profit and Loss Account.....	17
Statement of Comprehensive Income.....	18
Cash Flow Statement.....	19
Statement of Changes in Equity.....	20
Notes to the Account.....	21-43
Form of Proxy.....	

50th Annual Report 2012



corporate information

BOARD OF DIRECTORS

Mr. Muhammad Yunus Tabba (Chairman)
Mr. Muhammad Sohail Tabba (Chief Executive)
Mr. Muhammad Ali Tabba
Mr. Imran Yunus Tabba
Mr. Javed Yunus Tabba
Mrs. Mariam Tabba Khan
Mrs. Raheela Aleem
Mr. Ilyas Ismail

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Toufique Yusuf
FCA, FICS

AUDIT COMMITTEE

Mr. Muhammad Javed Tabba Chairman
Mr. Muhammad Ali Tabba Member
Mr. Imran Yunus Tabba Member

AUDITORS

Hyder Bhimji & Co.
Chartered Accountants

LEGAL ADVISOR

Mr. Mohammad Aleem
(Advocate)

BANKERS

Bank Al-Habib Limited
Bank Al-Falah Limited (Islamic Division)
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited

REGISTERED OFFICE AND MILLS

LA-2/B Block # 21,
Rashid Minhas Road,
Federal 'B' Area, Karachi - 75950.
Phones: 36321311-36322048
Fax: 92-21-36313372
E-mail: finance@fazaltextile.com
Website : www.fazaltextile.com

mission statement

Fazal Textile Mills Limited through its innovative technology and effective resource management has maintained high ethical and professional standards. The core values are its commitment, integrity, excellence, teamwork, transparency and creativity.

Fazal Textile is committed to:-

- produce quality and fault free products for its valued customers by continual improvements by providing proper training and development programmes, upgrading of resources, setting quality objectives by analyzing customer's feedback.
- provides good returns and security to its shareholders
- fulfill obligation towards creditors, employees and the society.



notice of annual general meeting

Notice is hereby given that the 50th Annual General Meeting of the Members of the Fazal Textile Mills Limited will be held at registered office of the Company located at L-A, 2/B, Block 21, Rashid Minhas Road, Federal "B" Area, Karachi, on Monday the 22nd October 2012 at 11:00 a.m to transact the following business.

1. To confirm the minutes of the Annual General Meeting held on 25th October 2011.
2. To receive consider and adopt the Audited accounts for the year ended June 30, 2012 together with the Directors and Auditors report thereon.
3. To approve cash dividend of Rs.4.00 per share of Rs.10/- each for the year ended 30th June 2012 as recommended by the Board.
4. To appoint Auditors for the year ending 30th June 2013 and to fix their remuneration.
5. To transact any other business with the permission of the Chairman.

Karachi : September 22, 2012

By order of the Board
M. Toufique Yusuf
Company Secretary

Notes :

1. The share transfer books of the Company will remain closed from October 20, 2012 to October 27, 2012 (both days inclusive).
2. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote for him/her. Proxy forms must be deposited at the registered office of the Company not later than 48 hours before the time of holding the meeting.
3. CDC account holders will have to follow the guide lines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan (SECP).
4. As per Securities & Exchange Commission of Pakistan (SECP) Notification SRO. No. 779 (1)2011, dated August 18, 2011, which mandates that the dividend warrants should bear CNIC number of the member or the authorized person, except in case of minor(s) and corporate members. Therefore, the individual members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Company are once again requested to send the same at the earliest directly to Company Share Registrar. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details.
5. Members are requested to notify the Company of any change in their address immediately.

directors' report to the members

We are pleased to welcome the Members at the 50th Annual General Meeting and have pleasure in presenting the Annual Report together with the Company's audited accounts for the year ended June 30, 2012.

As you know, the Company completed 50 years of excellence. Your directors would like to felicitate you on the occasion of Golden Jubilee and wish you all the very best.

Financial and operational results

The financial results for the year under review are as follows:

	Year Ended 30 June 2012	Year Ended 30 June 2011
 (Rs in 000)	
Sales	4,698,249	5,775,193
Gross Profit	394,522	698,298
Profit before taxation	162,917	393,626
Provision for taxation	31,208	39,530
Profit after taxation	131,709	354,096
Unappropriated profit brought forward	24,485	7,514
Profit available for appropriation	156,194	361,610
Appropriation:		
Proposed Cash Dividend	24,750	37,125
Transfer from general reserve	120,000	300,000
	<u>144,750</u>	<u>337,125</u>
Unappropriated profit carried forward	<u>11,444</u>	<u>24,485</u>

Overview

The total sales dipped by 18.65% during the year under review mainly due to drastic fall in cotton prices which has impacted the yarn prices. This situation forced your Company to shift partially from overseas market to domestic market and diverted a part of its supplies from Europe and other Western countries to Far East where conditions are relatively favourable.

The net profit moved down to Rs 131.709 million as compared to Rs 354.096 million last year. The after tax earning per shares works out to Rs 21.29 as compared with Rs 57.23 last year

Dividend

The Board of Directors have recommended a dividend of Rs 4.00 per shares (i.e. 40%) for the year ended June 30, 2012.

Investment in projects

Your company has already obtained approval from its members in the Extra Ordinary Meeting held on September 14, 2010 to invest Rs 500 million in its associated company namely Luckyone (Pvt Limited) for construction of shopping mall and residential apartments.



The Company through its Board Resolution dated June 07, 2007 has already informed that the production facilities are being shifted to Super Highway, Nooraibad and the shifting has commenced from Oct/Nov 2008. The plot where our present operating facilities are in operation will be vacated and will be available for use. The company has already converted this plot from industrial to commercial and have paid all the related charges to CDGK, hence this plot is now available for any commercial activity. The management worked on various option and finally decided to built a Mega Mall and Luxurious Residential Towers. The design of the project intended to be built will require about 15 acres of land. The land available owned by the company is 10.22 acres. Lucky Textile Mills Limited a associated company owns 5.20 acres of land which is adjacent to the plot and has already been converted from industrial to commercial plots.

The proposed project is being built on two plots adjacent to each other, one being owned by a public listed company and other being owned by a public limited company, both being associated companies of each other, therefore it is necessary that the arrangement is conducted on a fair and arms-length basis, therefore both these companies have entered into a Joint Venture Agreement and set out the details and structure of proposed arrangements for construction and development of the project.

Since the project will be huge both in size and amount both the companies have also set-up a private limited company namely Luckyone (Pvt) Limited for the purpose of construction, development and maintenance of the project. This private limited company has been authorized to carry out the entire activity under the terms of Joint Venture Agreement as agreed between both the parties.

Shifting of production facilities

Your Company has almost relocated its manufacturing facilities to Nooriabad (Super Highway) and the demolition of the vacant mill building at the existing facilities has also begun and the construction activities are under process.

Statement of Compliance with Code of Corporate Governance

The management is fully aware of the Company's obligation for compliance with the Code of Corporate Governance as incorporated in the Listing Regulations of all Stock Exchanges in Pakistan and step are being taken for its effective implementation within the allowed time frame. The various statements, as required by the Code, are given below:

- **Presentation of financial statements.** The financial statements under review have been prepared by the management and are in accordance with the provisions of the Companies Ordinance 1984. These financial statements present fairly the Company's state of affairs, the results of its operation, cash flow and changes in equity.
- **Books of account.** The Company has maintained proper books of account.
- **Accounting policies.** Appropriate accounting policies have been applied in preparation of financial statements.
- **Compliance of International Accounting Standards (IAS).** International Accounting Standards (IASs) as applicable in Pakistan have been followed in preparation of financial statements.
- **Internal Control System.** The system of internal control of the company is in place and is sound in design and is being effectively monitored.
- **Going Concern.** There are no significant doubts upon the Company's ability to continue as a going concern.
- **Best practices of Corporate Governance.** There has been no material departure from the Best Practices of Corporate Governance, as detailed in the listing regulations wherever applicable to the Company for the period ended June 30, 2005.

- **Outstanding statutory dues.** The Company has paid all the statutory dues, there are no unpaid disputed balances. The amount payable, if any, but not due are disclosed in note no 20 to the annexed audited financial statements.
- **BOD meetings.** During the period under review, the Board convened 5 times and the attendance of the respective Directors was as under :-

S. No	Name of Directors	Meetings attended
1	Mr. Muhammad Yunus Tabba	2
2	Mr. Muhammad Sohail Tabba	4
3	Mr. Muhammad Ali Tabba	2
4	Mr. Imran Yunus Tabba	3
5	Mr. Javed Yunus Tabba	4
6	Mrs. Mariam Tabba Khan	3
7	Mrs. Raheela Aleem	3
8	Mr. Ilyas Ismail	2

Leaves of absence in accordance to the law were granted to the Directors who could not attend the Board Meeting.

Pattern of shareholding.

The pattern of shareholding and the additional information as required by the Code of Corporate Governance is enclosed.

Auditors

The present auditors Hyder Bhimji & Co., Chartered Accountants, retired and have offered themselves for reappointment.

As suggested by the audit committee, the Board recommends their appointment as Auditors of the Company for the year ended June 30, 2013.

Thanks and appreciation

We would like to place on record our deep appreciation for the efforts of the executives, officers and other staff members and workers for their hard work, co-operation and sincerity to the company in achieving best possible results. The Board also wishes to place in record the appreciation to all banks for continued support to the company with zeal and dedications. The management is quite confident that these relation and cooperation will continue in the coming years.

On behalf of the Board



Chairman

Dated : September 22, 2012



key financial and operational data

Rupees "000"

PARTICULARS	Y E A R S											
	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Export Sales	2,763,850	3,700,027	2,890,868	1,815,119	1,910,247	1,805,767	1,328,054	1,001,278	1,565,173	1,360,729	1,127,193	1,486,691
Local Sales	1,930,096	2,078,269	1,381,290	1,130,386	672,118	575,401	801,791	801,963	936,049	916,739	1,021,300	826,276
Gross Sales	4,693,946	5,778,296	4,272,158	2,945,505	2,582,365	2,381,168	2,129,845	1,803,241	2,501,222	2,277,468	2,148,493	2,312,967
Net Sales	4,698,249	5,775,193	4,075,778	2,819,019	2,444,146	2,263,195	2,027,303	1,642,382	2,265,602	2,060,705	1,915,960	2,090,444
Gross Profit	394,522	698,298	839,111	220,351	139,904	121,177	175,570	162,291	91,857	172,892	146,329	225,159
Gross Profit Ratio	8.40	12.09	20.59	7.82	5.72	5.35	8.66	9.88	4.05	8.39	7.64	10.77
Profit Before Tax	162,917	393,626	675,792	48,219	26,361	1,236	51,459	78,167	21,743	104,111	63,317	107,768
Profit Before Tax Ratio	3.47	6.82	16.58	1.71	1.08	0.05	2.54	4.76	0.96	5.05	3.30	5.16
Profit/(Loss) After Tax	131,709	354,096	624,583	25,293	10,040	(20,461)	48,619	40,882	29,828	86,967	43,838	63,905
Profit/(Loss) After Tax Ratio	2.80	6.13	15.32	0.90	0.41	(0.90)	2.40	2.49	1.32	4.22	2.29	3.06
Cost of Fixed Assets	3,298,307	1,609,644	1,636,775	1,625,504	1,597,122	1,550,952	1,407,892	1,395,754	1,284,882	1,141,310	1,126,429	998,738
Book Value of Fixed Assets	2,197,596	575,075	629,583	672,849	719,115	741,516	652,327	666,272	602,889	514,066	535,231	445,411
Total Assets Employed	5,225,951	4,270,909	3,679,757	2,884,682	3,328,731	1,824,287	1,868,796	1,699,360	1,387,082	1,087,737	1,019,702	1,209,972
Shareholders Equity	1,738,069	1,643,483	1,351,262	735,960	719,948	709,908	745,838	712,688	681,087	657,447	585,663	530,397
Breakup Value Per Share	280.90	265.61	218.39	119.10	116.35	114.73	120.54	115.18	110.07	106.25	94.65	85.72
Earning Per Share Before Tax	26.33	63.62	109.22	7.79	4.42	0.20	8.31	12.63	3.51	16.82	10.23	17.41
Earning/(Loss) Per Share After Tax	21.29	57.23	100.94	4.09	1.62	(3.31)	7.86	6.61	4.82	14.06	7.08	10.33
Production Capacity (20/s) (lbs)	48,990,026	48,990,026	48,990,026	48,990,026	48,990,026	47,879,424	48,341,510	34,725,150	45,397,909	43,970,027	41,869,613	41,414,443
Production converted into 20/s (lbs)	45,801,500	48,798,460	48,858,410	48,739,567	48,607,000	47,425,336	48,032,726	34,454,142	45,380,876	43,811,943	41,758,683	41,412,415
Capacity Utilization	93.49	99.61	99.73	99.49	99.22	99.05	99.36	99.22	99.96	99.64	99.74	100.00

pattern of shareholding

as at june 30, 2012

NUMBER OF SHARE HOLDERS	SHARE HOLDING			TOTAL SHARES HELD
	FROM		TO	
438	1	to	100	23,123
145	101	to	500	47,707
28	501	to	1000	21,236
42	1001	to	5000	107,733
9	5001	to	10000	59,489
3	10001	to	15000	39,408
2	15001	to	20000	37,115
2	30001	to	35000	66,289
2	35001	to	40000	79,848
1	65001	to	70000	67,755
1	70001	to	75000	70,785
2	75001	to	80000	157,774
3	135001	to	140000	407,806
2	210001	to	215000	427,048
3	215001	to	220000	655,892
3	225001	to	230000	683,912
1	245001	to	250000	248,118
2	255001	to	260000	512,133
1	290001	to	295000	290,765
1	360001	to	365000	361,163
1	380001	to	385000	380,818
1	420001	to	425000	422,925
1	440001	to	445000	443,797
1	570001	to	575000	574,864
695				6,187,503

S.NO.	CATAGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD	PERCENTAGE
1	Financial Institutions	2	25,649	0.41
2	Individuals	668	6,027,610	97.42
3	Joint Stock Companies	5	43,144	0.70
4	Mutual Funds	3	68,136	1.10
5	Others	17	22,964	0.37
	Total	695	6,187,503	100.00



pattern of shareholdings

As of June 30, 2012

CATEGORIES OF SHAREHOLDER	NOS	SHARES HELD	%
Directors, Chief Executive Officers and their Spouses and minor children			
MRS. AMINA ABDUL AZIZ BAWANI	2	431,023	6.97
MR. ARIF ISMAIL	1	228,242	3.69
MR. ASLAM ISMAIL	1	227,428	3.68
MR. ILYAS ISMAIL	1	228,242	3.69
MR. IMRAN YUNUS	2	699,864	11.31
MR. JAVED YUNUS TABBA	2	678,991	10.97
MRS. KHAIRUNNISA	1	70,785	1.14
MRS. KULSUM	2	293,200	4.74
MRS. MAIMOONA	1	136,050	2.20
MRS. MARIUM TABBA KHAN	2	259,692	4.20
MR. MUHAMMAD ALI TABBA	2	654,710	10.58
MR. MUHAMMAD YUNUS TABBA	2	364,924	5.90
MRS. NASREEN MOTAN	1	136,050	2.20
MRS. RAHILA ALEEM	2	432,149	6.98
MR. MUHAMMAD SOHAIL TABBA	2	458,746	7.41
MRS. YASMEEN YAQOOB	1	135,706	2.19
MISS. ZULEKHA	2	288,042	4.66
Associated Companies, Undertakings and Related Parties			
NIT and ICP			
NIT	2	67,836	1.10
ICP	1	300	0.00
Public Sector Companies and Corporations	5	43,144	0.70
Banks, Development Financial Institutions, Non Banking Financial Institutions	2	25,649	0.41
General Public			
a. Local	641	303,766	4.91
Others	17	22,964	0.37
Total	695	6,187,503	100.00
Shareholders holding 5% or More Voting Interest			
MRS. AMINA ABDUL AZIZ BAWANI	2	431,023	6.97
MR. IMRAN YUNUS	2	699,864	11.31
MR. JAVED YUNUS TABBA	2	678,991	10.97
MR. MUHAMMAD ALI TABBA	2	654,710	10.58
MR. MUHAMMAD YUNUS TABBA	2	364,924	5.90
MRS. RAHILA ALEEM	2	432,149	6.98
MR. MUHAMMAD SOHAIL TABBA	2	458,746	7.41

statement of compliance with the code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The board comprises eight directors, including the CEO. The number of executive director on the board is one.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been adopted by the board of directors and signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement. Overall corporate strategy and significant policies of the Company are under process of approval.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive director, 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 the purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Chief Executive recommends that members of the Board should approach him, should they feel any necessity to conduct other orientation courses in this regard.
10. The appointment of head of internal audit and his remuneration and terms and conditions have been approved by the Board.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.



13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed on the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Audit Committee comprises of three members including the Chairman.
16. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. 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 partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
18. 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.
19. We confirmed that all other material principles contained in the Code have been complied with.

Muhammad Younus Tabba
Chairman

review report to the members on the statement of compliance with best practices of the code of corporate governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **FAZAL TEXTILE MILLS LIMITED** to comply with the Listing Regulation No. 35 (previously No. 37) of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub - Regulation (xiii a) of Listing Regulations 35 notified by the Karachi and Lahore Stock Exchanges vide circular No. 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.

Hyder Bhimji.

HYDER BHIMJI & CO.

CHARTERED ACCOUNTANTS

Karachi: September. 22, 2012



auditors' report to the members

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

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b). in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii). the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the company's affairs as at June 30, 2012 and of the profit, total comprehensive income, 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.

Karachi: September 22, 2012

Hyder Bhimji.
HYDER BHIMJI & CO
Chartered Accountants
Engagement Partner
Hyder Ali Bhimji

balance sheet

as at june 30, 2012

	Note	June 2012	June 2011
Rs in 000			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	3,298,455	2,565,027
Long term loans and advances	5	5,569	7,707
Long term deposits - Security deposits		1,259	1,259
		3,305,283	2,573,993
CURRENT ASSETS			
Stores, spares and loose tools	6	64,240	57,244
Stock in trade	7	911,268	842,611
Trade debts	8	792,566	673,665
Loans and advances	9	47,465	66,712
Trade deposits and short term prepayments	10	38,673	23,061
Other receivables	11	36,184	14,099
Tax refund due from government		9,770	7,563
Taxation- Provision Less payment	12	7,447	2,207
Cash and bank balances	13	13,054	9,754
		1,920,668	1,696,916
TOTAL ASSETS		5,225,951	4,270,909
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	14	150,000	150,000
Issued, subscribed and paid-up share capital	15	61,875	61,875
Reserves	16	1,676,194	1,581,608
		1,738,069	1,643,483
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred gratuity	17	46,972	46,090
Deferred taxation	18	26,169	42,933
Long term loans from related parties	19	675,000	-
		748,141	89,023
CURRENT LIABILITIES			
Trade and other payables	20	407,807	805,827
Accrued markup		33,621	21,585
Short term borrowings	21	2,298,313	1,710,991
		2,739,741	2,538,403
Contingencies and Commitment	22	-	-
TOTAL EQUITY AND LIABILITIES		5,225,951	4,270,909

The annexed notes from 1 to 42 form an integral part of these financial statements.

Karachi : September 22, 2012



Chairman



Director



profit and loss account

for the year ended june 30, 2012

	Note	June 2012	June 2011
Rs in 000			
Sales - net	23	4,698,249	5,775,193
Cost of sales	24	4,303,727	5,076,895
Gross profit		394,522	698,298
Selling and distribution expenses	25	154,769	210,813
Administrative expenses	26	50,674	41,357
Other operating expenses	27	8,887	21,189
		214,330	273,359
		180,192	424,939
Other operating income	28	5,580	12,018
Operating profit		185,771	436,957
Finance cost	29	22,854	43,331
Profit before taxation		162,917	393,626
Taxation	30	31,208	39,530
Profit after taxation		131,709	354,096
Earning per share-basic and diluted (Rupees)	31	21.29	57.23

The annexed notes from 1 to 42 form an integral part of these financial statements.

Karachi : September 22, 2012

Chairman

Director

statement of comprehensive income

for the year ended june 30, 2012

	June 2012	June 2011
	Rs in 000	
Profit after taxation	131,709	354,096
Other comprehensive income	-	-
Total comprehensive income	<u>131,709</u>	<u>354,096</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

Karachi : September 22, 2012



Chairman



Director



cash flow statement

for the year ended 30 june 2012

	Note	June 2012	June 2011
Rs in 000			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operation	32	(324,832)	58,329
Gratuity paid		(13,969)	(9,563)
Finance cost paid		(10,818)	(59,860)
Taxes paid		(55,419)	(61,437)
Net cash Inflow/(Outflow) from operating activities		(405,038)	(72,531)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,712,083)	(10,555)
Capital Work in progress		889,092	(304,159)
Long term loans and advances		2,138	1,749
Long term deposits		-	(727)
Sale proceeds from fixed assets		3,781	12,140
Net cash Inflow/(Outflow) from investing activities		(817,072)	(301,552)
CASH FLOW FROM FINANCING ACTIVITIES			
Long Term Liabilities		675,000	-
Payment of dividend		(36,912)	(61,525)
Repayment of long term loan		-	(1,000,000)
Net cash Inflow/(Outflow) from financing activities		638,088	(1,061,525)
Net increase/(decrease) in cash and cash equivalents		(584,022)	(1,435,608)
Cash and cash equivalents at the beginning of the period		(1,701,237)	(265,629)
Cash and cash equivalents at the end of the period	33	(2,285,259)	(1,701,237)

The annexed notes from 1 to 42 form an integral part of these financial statements.

Karachi : September 22, 2012

Chairman

Director

statement of changes in equity

for the year ended june 30, 2012

Description	Rupees in thousand				
	Paidup Capital	Capital Reserve	Revenue Reserves	Unappropriated Profit	Total
Balance as on June 30, 2010	61,875	34,416	625,584	629,389	1,351,264
Transfer to revenue reserves	-	-	560,000	(560,000)	-
Transaction with owners					
Final Dividend for the year ended June 30, 2010	-	-	-	(61,875)	(61,875)
Total comprehensive income for the year					
Profit for the year	-	-	-	354,096	354,096
Other comprehensive income	-	-	-	-	-
	-	-	-	354,096	354,096
Balance as on June 30, 2011	61,875	34,416	1,185,584	361,610	1,643,485
Transfer to revenue reserves	-	-	300,000	(300,000)	-
Transaction with owners					
Final Dividend for the year ended June 30, 2011	-	-	-	(37,125)	(37,125)
Total comprehensive income for the year					
Profit for the year	-	-	-	131,709	131,709
Other comprehensive income	-	-	-	-	-
	-	-	-	131,709	131,709
Balance as on June 30, 2012	61,875	34,416	1,485,584	156,194	1,738,069

The annexed notes from 1 to 42 form an integral part of these financial statements.

Karachi : September 22, 2012



Chairman



Director



notes to the financial statements

for the year ended june 30, 2012.

I. LEGAL STATUS AND OPERATION:

The Company was incorporated on July 6, 1963 as a Private Limited Company under the Companies Act, 1913 (Companies Ordinance, 1984) and was converted into a Public Limited Company on May 04, 1966. The Company is quoted on Karachi and Lahore stock exchanges in Pakistan since 1971. The Company is engaged in manufacturing, selling, buying and dealing in all types of yarn and knitted fabrics. The address of its registered office is LA-2/B, Block 21, Rashid Minhas Road, Federal "B" Area, Karachi, Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared on historical cost convention except for the recognition of certain staff retirement benefits at present value.

2.2 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provisions of and directives issued under the Companies Ordinance, 1984. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.3 Standards and interpretation that became effective but not relevant to the Company

There are certain new standards, amendment and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or have any significant effect on the company's operations and are, therefore, not disclosed in these financial statements.

- IAS 17 Leases
- IAS 27 Consolidated and Separate Financial Statements
- IFRS 2 Share-based Payments-Group cash-settled share-based payment transactions
- IFRS 3 Business Combinations
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 19 Extinguishing Financial Liabilities with Equity Instruments

2.4 Standards and interpretations to published approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standards		Effective date
IAS 1	Presentation of financial statements-amendment to revise the way other comprehensive income is presented	July 01,2012
IAS 12	Income tax (amendment)- Deferred taxes: Recovery of underlying assets	January 01,2012
IAS 19	Employee Benefits - Amended standard resulting from the post- employment benefits and termination benefit project	January 01,2013
IAS 24	Related Party Disclosures (Revised)	January 01,2011
IFRS 7	Financial instruments: Disclosures- Amendments enhancing disclosures about transfer of financial asset	July 01,2011
IFRS 17	Prepayment of a minimum funding requirements - Amendment	January 01,2011
IFRIC 14	Prepayments of Minimum Funding Requirements	January 01,2011

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have material affect on the Company's financial statements in the period of the initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further , the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan(SECP) for the purpose of applicability in Pakistan:

Standards		IASB effective date Annual Periods beginning on or after
IFRS 9	Financial Instruments	January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Agreements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013

2.5 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the company's accounting policies, management has made following estimates and judgments which are significant to the financial statements.

a) Property, plant and equipment

The company has made certain estimation with respect to residual value, depreciation method and depreciable lives of property, plant and equipments. Further, the company reviews the value of assets for possible impairment on each reporting period.

b) Provision for stores and spares

The Company has made estimation with respect to provision for slow moving, damaged and obsolete items and their net realizable value.



- c) **Staff retirement benefits**
Certain actuarial assumptions have been adopted as disclosed in note no. 17.4 to these financial statements for valuation of present value of defined benefit obligations.
- d) **Income Taxes**
The company takes into account relevant provision of current income tax laws while providing for current and deferred taxes as explained in note 2.7 of these financial statements.
- e) **Contingencies**
The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence/non-occurrence of the uncertain future events.

2.6 Staff retirement benefits

The Company operates unfunded gratuity scheme covering all employees eligible to the benefit. The present value of the defined benefit obligation has been determined on the basis of actuarial valuation carried out on the Balance Sheet date. In accordance with the requirements of IAS 19, Employees Benefits, actuarial valuation has been carried out using Projected Unit Credit Actuarial Cost Method. Main valuation assumption used for actuarial valuation was as under :

Discount Rate	14.00% per annum.
Expected rate on increase in salaries	13.00% per annum

2.7 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking in to account tax credits available rebate and exemption if any, subject to treatment in respect of tax deducted at source on export as final discharge of tax liabilities.

Deferred

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax assets and liabilities and their carrying values for financial reporting purposes and amount used for taxation purpose.

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

2.8 Foreign currency translation

Assets and liabilities in foreign currencies are translated into rupee at the rates of exchange ruling on the balance sheet date except for liabilities covered under forward exchange contracts which are translated at the contract rates. The gain or loss due to the rate fluctuation is adjusted against the plant and machinery acquired under the loan.

2.9 Property, Plant & Equipment

These are stated at cost less accumulated depreciation except leasehold land and capital work-in-progress, which are stated at cost.

Depreciation is charged at normal tax rates on diminishing balance method. In respect of addition/deletion during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal respectively.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gain or loss on disposal of assets is included in income currently.

2.10 Capital Work-in-progress

All cost/expenditure connected with the assets, incurred during the implementation period are carried under this head. These are transferred to specific assets as and when assets are available for use.

2.11 Stores, spares, loose tools and packing materials

These are valued at cost. Cost is determined on first in first out (FIFO) basis. Adequate provision is made for obsolescence and slow moving items as and when required based on parameters set out by management.

2.12 Stocks

These are valued as follows:

Raw materials	- At lower of cost or market value on FIFO basis.
Finished goods	- At lower of average cost and net realizable value including portion of related factory overheads.
Work-in-process	- At average cost of raw material and proportionate manufacturing overheads.
Waste	- At net realizable value.

2.13 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoice amount less any estimated allowance made for doubtful receivables based on review of outstanding amount at the year end. Balances considered irrecoverable are written off as and when identified.

2.14 Cash and Cash equivalent

Cash and cash equivalent are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments and bank overdraft in the balance sheet, bank overdrafts are included in borrowing in current liabilities.

2.15 Revenue Recognition

- Sales are recorded on dispatch of goods to customers;
- Rental Income is recognized as and when earned on annual basis; and
- Income of deposits is recognized on receipt basis.

2.16 Financial instruments

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured as fair value or cost, as the case may be.

2.17 Employees Leave Entitlement

Employees' entitlements to annual leaves are recognized when they accrue to employee. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.



2.18 Borrowing Cost

Borrowing costs incurred on finances obtained for the construction/installation of qualifying assets are capitalized up to date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

2.19 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of 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 obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

2.20 Impairment of Assets

The company reviews the value of assets for possible impairment on each reporting period. If such indication exist, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts and impairment losses are taken to profit and loss account.

2.21 Dividend

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

2.22 Related Party Transactions

Transactions and contracts with related party are carried out at arms length prices determined in accordance with comparable uncontrolled price method.

2.23 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and the Company intends to settle either on a net basis or realize the assets and settle the liability simultaneously.

2.24 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

	Note	June 2012	June 2011
Rs in 000			
4	PROPERTY, PLANT AND EQUIPMENT		
Operating Fixed Assets	4.1	2,197,596	575,075
Capital Work in Progress	4.2	1,100,859	1,989,952
		3,298,455	2,565,027

4.1 OPERATING FIXED ASSETS - TANGIBLE

2012										
	Land (lease hold)	Main factory building - On Leasehold Land	Other factory building - On Leasehold Land	Plant & Machinery	Testing equipment, Scales, Weighments	Office equipments	Furniture & fixtures	Vehicles	Computer equipments	Total
-----Rupees in "000"-----										
At July 01, 2011										
Cost	6,591	31,250	171,389	1,348,256	7,488	5,765	2,158	27,697	9,050	1,609,644
Accumulated depreciation	-	27,816	76,101	896,258	6,522	3,661	1,908	14,447	7,856	1,034,569
Net Book Value	6,591	3,434	95,288	451,998	966	2,104	250	13,250	1,194	575,075
Year ended June 30, 2012										
Opening net book value	6,591	3,434	95,288	451,998	966	2,104	250	13,250	1,194	575,075
Additions at cost	538,747	494,860	310,700	349,736	-	1,749	-	13,404	2,887	1,712,083
Disposals										
Cost	-	-	-	21,919	-	-	-	1,502	-	23,421
Accumulated depreciation	-	-	-	19,851	-	-	-	463	-	20,314
	-	-	-	2,068	-	-	-	1,039	-	3,107
Depreciation for the year	-	12,807	8,648	60,067	97	338	25	3,532	941	86,456
Closing net book value	545,338	485,487	397,340	739,599	869	3,515	225	22,083	3,140	2,197,596
At June 30, 2012										
Cost	545,338	526,110	482,090	1,676,074	7,488	7,515	2,158	39,597	11,937	3,298,307
Accumulated depreciation	-	40,623	84,750	936,475	6,619	4,000	1,933	17,514	8,797	1,100,711
Net Book Value	545,338	485,487	397,340	739,599	869	3,515	225	22,083	3,140	2,197,596
Rate	-	10%	5%	10%	10%	10%	10%	20%	33%	
2011										
	Land (lease hold)	Main factory building - On Leasehold Land	Other factory building - On Leasehold Land	Plant & Machinery	Testing equipment, Scales, Weighments	Office equipments	Furniture & fixtures	Vehicles	Computer equipments	Total
-----Rupees in "000"-----										
At July 01, 2010										
Cost	6,591	31,250	171,389	1,376,723	7,488	5,172	2,158	27,586	8,418	1,636,775
Accumulated depreciation	-	27,434	71,086	874,057	6,415	3,464	1,880	15,476	7,379	1,007,191
Net Book Value	6,591	3,816	100,303	502,666	1,073	1,708	278	12,110	1,039	629,584
Year ended June 30, 2011										
Opening net book value	6,591	3,816	100,303	502,666	1,073	1,708	278	12,110	1,039	629,584
Additions at cost	-	-	-	-	-	4,504	593	4,826	632	10,555
Disposals										
Cost	-	-	-	32,971	-	-	-	4,715	-	37,686
Accumulated depreciation	-	-	-	28,010	-	-	-	3,743	-	31,753
	-	-	-	4,961	-	-	-	972	-	5,933
Depreciation for the year	-	382	5,015	50,211	107	197	28	2,714	477	59,131
Closing net book value	6,591	3,434	95,288	451,998	966	2,104	250	13,250	1,194	575,075
At June 30, 2011										
Cost	6,591	31,250	171,389	1,348,256	7,488	5,765	2,158	27,697	9,050	1,609,644
Accumulated depreciation	-	27,816	76,101	896,258	6,522	3,661	1,908	14,447	7,856	1,034,569
Net Book Value	6,591	3,434	95,288	451,998	966	2,104	250	13,250	1,194	575,075
Rate	-	10%	5%	10%	10%	10%	10%	20%	33%	



June 2012	June 2011
Rs in 000	
81,621	55,715
4,835	3,416
86,456	59,131

4.1.1 Depreciation charge for the period has been allocated as follows :

Cost of sales
Administrative expenses

4.1.2 Details of disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Sold to
-------------	------	--------------------------	------------	---------------	---------------	------------------	---------

..... (Rupees in 000')

Assets above book value of Rs. 50,000/-

Motor Vehicles

Suzuki pickup	457	220	237	340	103	Negotiation	Mr. Lajbar khan CNIC # 21103-2624721-1
Suzuki Cultus	919	147	772	919	147	Negotiation	Mr. Faizan Dossani CNIC # 42101-6232908-9

Plant and Machinery

Machinery Item	15,782	14,283	1,499	1,800	301	Negotiation	Mr. Pervaiz Ali. CNIC # 33100-5043398-1
Carding Machine	6,137	5,568	569	700	131	Negotiation	Mr. Pervaiz Ali. CNIC # 33100-5043398-1

Assets below book value of Rs. 50,000/-

Motor Vehicles	126	96	30	22	(8)	Negotiation	Various
----------------	-----	----	----	----	-----	-------------	---------

Total June 2012	23,421	20,314	3,107	3,781	674		
Total June 2011	37,686	31,753	5,933	12,140	6,207		

	Note	June 2012	June 2011
4.2 CAPITAL WORK IN PROGRESS		Rs in 000	
Factory Building - Civil Work	4.2.1	413,856	916,583
Plant, Machinery and stores items held for installation	4.2.2	-	114,479
Construction Cost- Civil Works of the project	4.2.3	687,003	958,889
		1,100,859	1,989,951
4.2.1 Factory Building - Civil Work			
Opening Balance		916,583	729,916
Addition For The Year	4.2.5	289,817	186,667
Borrowing Cost Capitalized		28,378	-
Amount transferred to Factory Building		(820,922)	-
Closing Balance		413,856	916,583
4.2.2 Plant, Machinery and stores items held for installation			
Opening Balance		114,479	112,214
Addition For The Year	4.2.6	1,723	2,265
Amount transferred to Plant and Machinery		(116,202)	-
Closing Balance		-	114,479
4.2.3 Construction Cost- Civil Works of the project			
Opening Balance		958,889	843,662
Expenditure incurred during the year		20,444	65,820
Borrowing Cost Capitalized		89,342	49,407
Amount transferred to Leasehold Land		(538,747)	-
Mobilization advance to Lucky One (Pvt) Ltd		157,075	-
Closing Balance	4.2.7	687,003	958,889

4.2.4 The company had decided to shift its production facility from Plot No LA-2/B, Block 21, F.B Area, Rashid Minhas Road, Karachi to Super Highway, Nooriabad and converted the plot from industrial to commercial use and the company in its Annual General Meeting held on 8th October 2008 approved the construction of mega mall and luxurious residential towers (the project) on the commercialized land in joint venture with Lucky Textile Mills. Moreover keeping in view the large scale of the project, both in term of size and investment, the shareholders further resolved to setup a Special Purpose Vehicle (SPV) for the purpose of construction, development and maintenance of the project. In pursuance of the resolution Lucky One (Private) Limited has been incorporated to carry out construction, development, maintenance of the project and to carry out and conduct all the formalities relating thereto. The shifting of the production facility, development of land and construction of the project is in process since August 2011.

4.2.5 This represent the expenditures incurred for civil work for building production facility at Nooriabad.

4.2.6 This represent the expenditures incurred for shifting exiting plant and machinery, cost of new items of stores and machinery and cost of installation and up gradation of plant and machinery at Nooriabad.



- 4.2.7 This represents commercialization, development and other charges of land situated at the existing premises and expenses for civil work incurred for the purpose of construction of the project, as under:

	Note	June 2012	June 2011
Rs in 000			
Land development and Incidental Costs		-	538,747
Payments to consultants, contractors and suppliers		222,147	201,703
Mobilization advance to Luckyone (Pvt) Ltd		157,075	-
Miscellaneous		7,458	7,458
Borrowing cost capitalized		300,323	210,981
		687,003	958,889
5 LONG TERM LOANS AND ADVANCES			
Considered good - Unsecured			
Loan to Employees	5.1	5,569	7,707
		5,569	7,707
5.1 Loan to Employees			
- Executives	5.1.1	7,616	12,683
- Non-executive		8,037	10,089
		15,653	22,772
Current maturity			
- Executives		5,536	5,769
- Non-executive		4,548	9,296
		10,084	15,065
		5,569	7,707
5.1.1 Reconciliation of outstanding amount of loans to Executives:			
Balance at the beginning of the year		12,683	5,787
Disbursement during the year		1,575	9,662
Repayment during the year		(6,642)	(2,766)
Balance at the end of the year		7,616	12,683
5.1.2 These interest free long term loans and advances represent the amounts given to executive and non executive employees for the purpose of housing assistance, medical expenses and for the support of children's marriage. These are repayable in monthly installments within 3 years.			
5.1.3 The maximum amount due from Executive at the end of any month during the year was Rs 10.783 million (2011 : Rs 11.368 million)			
6 STORES, SPARES AND LOOSE TOOLS			
Stores		16,265	14,758
Spares		36,065	37,503
Loose tools		284	335
Packing material		13,778	6,625
		66,392	59,221
Less : Provision for slow moving items	6.1	2,152	1,977
		64,240	57,244
6.1 Movement of provision for slow moving items:			
Opening balance		1,977	1,977
Provision during the year		175	-
Closing balance		2,152	1,977

	Note	June 2012	June 2011
Rs in 000			
7 STOCK IN TRADE			
Raw material		701,392	478,322
Work in process		12,206	39,280
Finished goods		197,670	325,009
		<u>911,268</u>	<u>842,611</u>
8 TRADE DEBTS			
Considered good			
Export - secured against L/C		672,510	547,926
Local - unsecured	8.2	120,056	125,739
		<u>792,566</u>	<u>673,665</u>
Considered doubtful			
Against Local sales - unsecured		4,370	4,248
		<u>796,936</u>	<u>677,913</u>
Less: Provision for impairment of trade debts	8.1	4,370	4,248
		<u>792,566</u>	<u>673,665</u>
8.1 Provision for impairment of trade debts:			
Opening balance		4,248	4,248
Provision during the year		122	-
Closing balance		<u>4,370</u>	<u>4,248</u>
8.2	It includes amount of Rs 14.36 million (2011 : Rs 15.348 million) due from related parties.		
8.3	The maximum amount due from related parties at the end of any month during the year was Rs. 304.635 million (2011 : Rs. 320.548 million) .		
9 LOANS AND ADVANCES			
Considered good			
Current maturity of long term loans	5	10,084	15,065
Advances to other employees		5,548	-
Advances to suppliers		31,833	51,647
		<u>47,465</u>	<u>66,712</u>
10 TRADE DEPOSIT AND SHORT TERM PREPAYMENTS			
Security deposits		38,673	23,061
		<u>38,673</u>	<u>23,061</u>
11 OTHER RECEIVABLES			
Against sale of assets		232	3,189
Sales tax refundable		35,947	10,905
Central excise duty		5	5
		<u>36,184</u>	<u>14,099</u>



	Note	June 2012	June 2011
Rs in 000			
12 TAXATION - Net			
Taxes paid / deducted in advance		55,419	61,437
Less: Provision for current year taxation	30.1	(46,988)	(59,230)
Provision for prior years		(984)	-
		<u>7,447</u>	<u>2,207</u>
13 CASH AND BANK BALANCES			
Cash in hand		2,027	763
Balance with bank in :			
- Current Accounts		10,951	8,984
- Deposit Accounts		76	7
		<u>11,027</u>	<u>8,991</u>
		<u>13,054</u>	<u>9,754</u>
14 AUTHORIZED CAPITAL			
15,000,000 Ordinary shares of Rs 10/- each		<u>150,000</u>	<u>150,000</u>
15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
		2012	2011
		4,579,094	4,579,094
		1,608,409	1,608,409
		<u>6,187,503</u>	<u>6,187,503</u>
		45,791	45,791
		16,084	16,084
		<u>61,875</u>	<u>61,875</u>
15.1	Out of the total share capital of the Company, associated undertaking held 1,142,711/(18.5%) (2011 : 1,142,711/ (18.5%)) ordinary shares of Rs 10/- each as at June 30, 2012.		
16 RESERVES			
Capital Reserve			
Share premium		34,416	34,416
Revenue Reserve			
General Reserve			
Opening balance		1,185,584	625,584
Transfer from profit & loss account		300,000	560,000
		<u>1,485,584</u>	<u>1,185,584</u>
Unappropriated profit		156,194	361,608
		<u>1,676,194</u>	<u>1,581,608</u>
17 DEFERRED GRATUITY (Staff retirement benefit)			
17.1 Reconciliation of Payable to / (Receivable from) Defined Benefit Plan			
Present Value of Defined Benefit Obligation		39,898	39,151
Net Actuarial Gains/(Losses) not recognized		7,074	6,939
Net Liability For Gratuity		<u>46,972</u>	<u>46,090</u>

	Note	June 2012	June 2011
Rs in 000			
17.2 Movement in Net Liability			
Opening Net Liability		46,090	40,802
Expenses/(Income) for the year	17.3	14,851	14,851
Benefits paid		(13,969)	(9,563)
Closing Net Liability		46,972	46,090
17.3 Charge for / (Income from) the Defined Benefit Plan			
Current service cost		10,160	10,160
Interest cost		4,691	4,691
		14,851	14,851
17.4 Actuarial Assumptions:			
Valuation Discount Rate		14.00%	14.00%
Salary Increase Rate		13.00%	13.00%
17.5 The company's gratuity scheme is unfunded therefore no plan assets are recognized and no contributions as a consequence are made.			
18 DEFERRED TAXATION			
Deferred tax liabilities arising in respect of Accelerated depreciation rates		35,754	62,903
Deferred tax assets arising in respect of Provisions		(9,584)	(19,970)
		26,169	42,933
19 LONG TERM LOANS FROM RELATED PARTIES			
Lucky Energy (Pvt) Ltd		250,000	-
Lucky Knits (Pvt) Ltd.		425,000	-
		675,000	-
19.1 These loans have been provided by the related parties for construction of the project. These interest free loans are repayable at the convenience of the company, however not to be repaid within next twelve months.			
20 TRADE AND OTHER PAYABLES			
Trade creditors		127,519	72,523
Accrued expenses		158,108	421,893
Advance from customers	20.1	108,673	287,118
Unclaimed dividend		2,386	2,173
Workers profit participation fund	20.2	8,590	20,835
Advances from employees under vehicle scheme	20.3	2,531	1,285
		407,807	805,827
20.1 It includes amount due to related parties of Rs 83.064 million (2011 : Rs 283.238 million)			



20.2 Workers Profit Participation Fund

Opening balance
Allocation for the year
Add : Markup provided during the year

Less : Payments during the year
Closing balance

June 2012	June 2011
Rs in 000	
20,835	33,598
8,590	20,835
1,636	2,235
10,226	23,070
31,061	56,668
(22,471)	(35,833)
8,590	20,835

20.3 This amount represents the accumulation of monthly installments adjustable after a specified period against vehicles to be disposed under vehicle scheme.

21 SHORT TERM BORROWINGS - Secured

Running finances under mark-up arrangements
Export Finance and Import bills

238,253	19,350
2,060,060	1,691,641
2,298,313	1,710,991

21.1 The above finances are secured by first parri passu hypothecation charge over stock and book debts of the company. Lien on dually accepted foreign bills.

21.2 The markup on bank finances is payable on quarterly basis at the rates ranging between 10.50% to 15.00%. (2011 : 8.50% to 14.00%)

21.3 The overall limit of Rs 3.105 billion (2011 : 3.105 billion) applies on running, export pre/post shipment finances.

22 CONTINGENCIES AND COMMITMENTS

Contingencies:

22.1 The Company has made a reference in the Honorable High Court of Sindh at Karachi u/s 133(i) of the Income Tax Ordinance, 2001 against rejection of loss of Rs 1,461,000 by the Appellate Tribunal vide M.A (Rect) No 402/KB/2005 dated January 25, 2006 for the assessment year 2002-03. The case is pending before Court for adjudication.

22.2 Deemed assessment for the company's tax year 2003, 2008, 2009, 2010 has subsequently been amended and appeals has been made, which are pending before various appellate stages. The amount involved is Rs. 16.075 million of which Rs. 14.541 million is in respect of Workers Welfare Fund.

22.3 The Company being manufacturer-cum-exporter is not obliged to pay Worker Welfare Fund. The Company has also filed Constitutional Writ Petition in the Honorable High Court of Sindh, Karachi, challenging virus, which is pending for disposal. The Company is opined that the matter of WWF will be resolved favorably. The company's tax year involved in the case at various stages are 2008,2009,2010 and aggregate amount involved is Rs. 14.541 millions.

22.4 Commitments:

Guarantees and counter guarantees

Letter of credits

119,863	118,528
2,574	132,606
122,437	251,134

	Note	June 2012	June 2011
Rs in 000			
23 SALES - Net			
Export		2,763,850	3,700,027
Local		1,930,096	2,078,269
Export rebate		6,692	932
Research & Development Support		4,423	4,535
Gross sales		4,705,061	5,783,763
Less:			
- Export duty and surcharge		6,812	8,570
		<u>4,698,249</u>	<u>5,775,193</u>
24 COST OF SALES			
Raw material consumed			
Opening inventory		478,322	220,462
Purchases		3,242,373	4,475,600
Available for consumption		3,720,695	4,696,062
Closing inventory		(701,392)	(478,322)
Raw material consumed		3,019,304	4,217,740
Manufacturing expenses			
Stores, spares and packing		162,711	200,557
Salaries, wages & other benefits	24.1	298,795	257,472
Power and electricity		413,363	349,788
Knitting, dyeing and printing expenses		139,760	146,444
Insurance		3,377	3,128
Repair and maintenance		15,225	16,805
Labor welfare		5,939	4,504
Depreciation		81,621	55,715
Other manufacturing expenses		9,222	1,335
		1,130,010	1,035,748
		4,149,314	5,253,488
Work in process - opening inventory		39,280	10,090
Work in process - closing inventory		(12,206)	(39,280)
		27,074	(29,190)
Cost of goods manufactured		4,176,388	5,224,298
Finished goods - opening inventory		325,009	177,606
Available for sales		4,501,397	5,401,904
Finished goods - closing inventory		(197,670)	(325,009)
		<u>4,303,727</u>	<u>5,076,895</u>
24.1	This includes Rs 13.572 million in respect of staff retirement benefits (2011 : 13.630 million)		
25 SELLING AND DISTRIBUTION EXPENSES			
Salaries, Wages and Benefits	25.1	8,819	7,011
Traveling and conveyance		5,433	5,570
Commission		59,072	76,420
Export freight		42,479	91,572
Forwarding and other selling expenses		38,966	30,240
		<u>154,769</u>	<u>210,813</u>
25.1	This includes Rs 0.383 million in respect of staff retirement benefits (2011 : 0.371 million)		



	Note	June 2012	June 2011
Rs in 000			
26 ADMINISTRATIVE EXPENSES			
Salaries, wages & other benefits	26.1	20,638	16,067
Postages, telegram and telephone		3,949	3,558
Printing and stationery		5,049	3,739
Fees and subscriptions		1,053	679
Entertainment		3,697	1,846
Rent, rates and taxes		1,440	758
Motor car expenses		5,535	3,500
Insurance		407	407
Legal and professional charges		1,365	841
Auditors' remuneration	26.2	710	690
Advertisements		168	286
Donations	26.3	884	4,843
Depreciation		4,835	3,416
Other expenses		944	727
		50,674	41,357
26.1	This includes Rs 0.896 million in respect of staff retirement benefits (2011 : Rs 0.85 million)		
26.2 Auditors' remuneration			
Audit fee		500	500
Half Yearly Review fee		60	60
Other certification and out of pocket expenses		150	130
		710	690
26.3	None of the directors and their spouses had any interest in the donees fund.		
27 OTHER OPERATING EXPENSES			
Workers profit participation fund		8,590	20,835
Insurance claim receivable (Written off)		-	354
Provision for slow moving items		175	-
Provision for doubtful debts		122	-
		8,887	21,189
28 OTHER OPERATING INCOME			
Income from financial assets			
- Profit on bank deposits		261	2,011
Income from non-financial assets			
- Gain on sale of fixed assets		674	6,207
- Miscellaneous income		781	781
- Doubling charges		3,863	2,461
- Reversal of provision	28.1	-	558
		5,580	12,018
28.1	As per judgment of Lahore high court vide case no. W.P.No.8763/2011 against notice dated 14-06-2011 regarded WWF declared unconstitutional.		
29 FINANCE COST			
Markup on short term finance		9,126	23,737
Interest on workers profit participation fund		1,636	2,235
Bank charges and commission		12,091	17,359
		22,854	43,331

	Note	June 2012	June 2011
Rs in 000			
30 TAXATION			
Provision for current year taxation	30.1	46,988	59,230
Prior years		984	-
Deferred Taxation	18	(16,764)	(19,700)
		<u>31,208</u>	<u>39,530</u>
30.1 The charge for the year is as under.			
Tax charge on direct exports		27,639	35,745
Tax charge on indirect exports		7,489	10,132
Minimum tax on local sales		11,812	10,651
Tax charge on Other income not falling under P.T.R		49	2,702
		<u>46,988</u>	<u>59,230</u>
31 EARNING PER SHARE			
Profit after taxation (Rs in "000")		<u>131,709</u>	<u>354,096</u>
Weighted average number of ordinary shares		<u>6,187,503</u>	<u>6,187,503</u>
Earning per share (Rs)		<u>21.29</u>	<u>57.23</u>
31.1 There is no dilutive effect on the basic earnings per shares of the Company.			
32 CASH GENERATED FROM OPERATION			
Profit before taxation		162,917	393,626
Adjustment for non cash charges :			
Depreciation		86,456	59,131
Provision for slow moving items		175	-
Provision for doubtful debts		122	-
Profit on sale of fixed assets		(674)	(6,207)
Provision for gratuity		14,851	14,851
		<u>100,930</u>	<u>67,775</u>
Finance cost		22,854	43,331
Changes in working capital	32.1	(611,533)	(446,403)
		<u>(324,832)</u>	<u>58,329</u>
32.1 Changes in working capital			
(Increase)/Decrease in current assets			
Stores, spares and loose tools		(6,996)	(6,567)
Stock in trade		(68,832)	(434,453)
Trade debts		(119,022)	(215,027)
Loans and advances		19,247	35,399
Trade deposits and short term prepayments		(15,612)	(10,124)
Other receivable		(22,085)	1,075
		<u>(213,300)</u>	<u>(629,697)</u>
Increase/(Decrease) in current liabilities			
Trade and other payables		(398,233)	183,294
Long term liabilities		-	-
Net Increase/(decrease) in working capital		<u>(611,533)</u>	<u>(446,403)</u>



33 CASH AND CASH EQUIVALENTS

Cash & cash equivalent comprise the following items as included in the balance sheet

Cash and bank balances
Short term borrowing

June 2012	June 2011
Rs in 000	
13,054	9,754
<u>(2,298,313)</u>	<u>(1,710,991)</u>
<u>(2,285,259)</u>	<u>(1,701,237)</u>

34 TRANSACTION WITH RELATED PARTIES

Related parties comprise of associated company, directors of the Company, companies in which directors also hold directorship, related group companies and key management personnel. Significant balances outstanding with related parties have been disclosed at relevant and appropriate notes where as the transactions with related parties during the year are as follows:

Nature of Transaction

With Associates

Sale of Goods and Providing of Services

- Lucky Knits (Pvt) Ltd.
- Lucky Textile Mills Ltd.
- Gadoon Textile Mills Ltd.
- Younus Textile Mills Ltd.

191,233	278,124
309,262	130,153
-	1,000
60,625	571,742
<u>561,120</u>	<u>981,019</u>

Purchase of Goods and Receipt of Services

- Lucky Cement Ltd.
- Lucky Textile Mills Ltd.
- Gadoon Textile Mills Ltd.
- Lucky Knits (Pvt) Ltd.
- Lucky Energy (Pvt) Ltd.

39,594	13,323
154	-
252,359	407,100
57,644	24,094
433,971	346,615
<u>783,722</u>	<u>791,132</u>

Rent, Allied and Other Charges Received

- Lucky Energy (Pvt) Ltd.

781	781
-----	-----

Mobilization advance

- Luckyone (Pvt) Ltd

157,075	-
---------	---

Long Term Loan Received

- Lucky Energy (Pvt) Ltd.
- Lucky Knits (Pvt) Ltd.

250,000	-
425,000	-

Dividend Paid

- Lucky Energy (Pvt) Ltd.

6,668	11,114
-------	--------

With other related parties

Benefits to key management personnel

- Long term loans to executives
- Bonus and earned leaves

1,575	9,662
3,069	2,938

34.1 All material transactions with associated undertaking are at arm's length.

34.2 The maximum amount due to related parties at the end of any month during the year was Rs. 304.635 million (2011 : Rs. 320.548 million) .

35 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

	June 2012		June 2011	
	CHIEF EXECUTIVE	OTHER EXECUTIVES	CHIEF EXECUTIVE	OTHER EXECUTIVES
	Rupees in "000"			
Remuneration	1,000	6,634	1,000	6,220
House rent	400	2,654	400	2,488
Bonus/leaves encashment	-	3,069	-	2,938
Utilities	100	663	100	622
	<u>1,500</u>	<u>13,020</u>	<u>1,500</u>	<u>12,268</u>
Number of persons	<u>1</u>	<u>9</u>	<u>1</u>	<u>9</u>

35.1 Chief Executive and other executives are provided company maintained car and security guards.

35.2 Meeting fee and remuneration is not paid to any director.

36 CAPACITY AND ACTUAL PRODUCTION

SPINNING

Total numbers of spindles at the end of the year
Average number of spindles worked
Capacity after conversion into 20's (lbs)
Production after conversion into 20's (lbs)

	June 2012	June 2011
	59160	59,160
	58935	59,150
	48990026	48990026
	45801500	48798460

KNITTING

Total number of knitting machines installed
Average number of days worked
Installed capacity (kgs)
Actual production (kgs)

	12	12
	161	202
	1485000	1485000
	607329	916961

36.1 The under utilization of capacity is due to normal maintenance and shut down. It is difficult to describe precisely the production capacity in textile spinning industry, since it fluctuates widely depending on various factors such as count spun, spindles speed, twist and type of raw material.

37 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's activities expose it to a certain financial risks:

- Credit risk
- Liquidity risk
- Market risk (including currency risk, interest rate risk and other price risk)

The Company's overall risk management programmes focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.



Risk management is carried out by the Treasury Sub Committee (the Committee) of the Executive Committee (EXCO) of the Board of Directors (the Board) under policies approved by the board. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity. All treasury related transactions are carried out within the such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity. All treasury related transactions are carried out within the such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

The Company finance its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

37.1 FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets and Liabilities of the company, interest and non interest bearing, along with their maturities are as follows :

	Jun-12						Total
	Interest Bearing			Non Interest Bearing			
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
(Rupees in "000")							
FINANCIAL ASSETS							
Long term loans and advances	-	-	-	-	5,569	5,569	5,569
Long term deposits - Security deposits	-	-	-	-	1,259	1,259	1,259
Trade debts	-	-	-	792,566	-	792,566	792,566
Loans and advances	-	-	-	47,465	-	47,465	47,465
Trade deposits and short term prepayments	-	-	-	38,673	-	38,673	38,673
Other receivables	-	-	-	237	-	237	237
Bank balances	-	-	-	11,027	-	11,027	11,027
	-	-	-	889,969	6,828	896,797	896,797
FINANCIAL LIABILITIES							
Deferred gratuity	-	46,972	46,972	-	-	-	46,972
Trade and other payables	-	-	-	407,807	-	407,807	407,807
Accrued markup	-	-	-	33,621	-	33,621	33,621
Short term borrowings	2,298,313	-	2,298,313	-	-	-	2,298,313
	2,298,313	-	2,298,313	441,428	-	441,428	2,739,741
OFF BALANCE SHEET ITEMS							
Guarantees and counter guarantees	-	119,863	119,863	-	-	-	119,863
Letter of credits	2,574	-	2,574	-	-	-	2,574
	2,574	119,863	122,437	-	-	-	122,437

The effective interest/markup rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

	Jun-11						Total
	Interest Bearing			Non Interest Bearing			
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
..... (Rupees in "000")							
FINANCIAL ASSETS							
Long term loans and advances	-	-	-	-	7,707	7,707	7,707
Long term deposits - Security deposits	-	-	-	-	1,259	1,259	1,259
Trade debts	-	-	-	673,665	-	673,665	673,665
Loans and advances	-	-	-	66,712	-	66,712	66,712
Trade deposits and short term prepayments	-	-	-	33,966	-	33,966	33,966
Other receivables	-	-	-	3,194	-	3,194	3,194
Bank balances	-	-	-	8,991	-	8,991	8,991
	-	-	-	786,528	8,966	795,494	795,494
FINANCIAL LIABILITIES							
Deferred gratuity	-	46,090	46,090	-	-	-	46,090
Trade and other payables	-	-	-	406,862	-	406,862	406,862
Accrued markup	-	-	-	33,621	-	33,621	33,621
Short term borrowings	2,294,543	-	2,294,543	-	-	-	2,294,543
	2,294,543	-	2,294,543	440,483	-	440,483	2,735,026
OFF BALANCE SHEET ITEMS							
Guarantees and counter guarantees	-	118,528	118,528	-	-	-	118,528
Letter of credits	132,606	-	132,606	-	-	-	132,606
	132,606	118,528	251,134	-	-	-	251,134

The effective interest/markup rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

37.2 Credit risk and concentration of credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company manages credit risk inter alia by limiting advances and credit to individual customers based on their credit worthiness, obtaining advance against sales, obtaining collaterals where considered necessary and making appropriate provision for doubtful receivables.

Company's credit risk is mainly attributable to loans and advances, balances with banks and financial institutions, and credit exposure to customers, including trade receivables and committed transactions. Financial assets as mentioned in Note 37.1, represent the maximum exposure of the company to credit risk.

37.3 Financial assets that are neither past nor impaired

The credit quality of assets that are neither past due nor impaired can be assessed by reference to historical information and external credit ratings or to historical counterparty default rates.

As at June 30, 2012, no financial assets of the company were either past due or impaired expect for trade debts of Rs. 3.591 million (2011: Rs. 2.9 million) which were past due but not impaired and has been provided prudently. These relates to a number of independent customers for whom there is no recent history of default. The aging analysis of the financial assets is as follows:



	Note	June 2012	June 2011
Rs in 000			
Financial Assets not past due	37.1	896,797	795,494
Financial Assets Past due but not impaired			
- within 90 days		-	-
- 91 to 180 days		-	-
- over 180 days	8.1	4,370	4,248
		<u>901,167</u>	<u>799,742</u>

The company maintains balances with banks that have good credit rating. The bank balances along with credit ratings are stated below:

Credit Rating

AAA	2,111	559
AA+	1,975	7,505
AA	6,739	752
AA-	199	152
A+	3	23
	<u>11,027</u>	<u>8,991</u>

Due to strong business relationship with the counterparties since long and giving due consideration to their financial soundness the management does not expect non-performance by these counter parties on their obligations to the company and hence it is not exposed to any significant credit risk.

37.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The management forecasts liquidity risks on the basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements.

Contractual maturities of financial liabilities, including interest payments excluding the impact of netting arrangements, are shown in the Note 37.1.

37.5 Market Risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arise mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.

37.5.1 Foreign exchange risk management

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arise mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.

The company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar (USD) and Euro.

Currently, the Company's foreign exchange risk exposure is restricted to the amount receivable / payable from / to the foreign entities and outstanding letters of credit.

37.5.2 Price risk

Price risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer. The Company is not exposed to equity price risk since there are no investment in equity securities. The Company is also not exposed to commodity price risk since it has a diverse portfolio of commodity supplier.

37.5.3 Interest / Markup rate risk management

Interest / Markup rate risk arises from the possibility of changes in Interest / Markup rates which may effect the value of financial instruments. As at June 30, 2012 the company's financial instruments mainly affected due to changes in the interest rates are short term borrowings the most of which are associated with kibar rates the fluctuations in which are not considered as material by management, therefore no any special efforts are made by management in this area.

37.6 Fair value of Financial Assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value except those which are described in policy notes.

38 CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust capital structure, the company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt. Consistent with others in industry , the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of shareholders.

During 2012 the Company's strategy was to maintain gearing. The gearing ratio as at June 30, 2012 and June 30, 2011 were as follows:

	June 2012	June 2011
	Rs in 000	
Total borrowings	2,298,313	1,710,991
Cash and bank	(13,054)	(9,754)
Net debt / (cash)	2,285,259	1,701,237
Total equity	1,738,069	1,643,483
Total capital	4,023,328	3,344,720
Gearing ratio	57%	51%

39 SUBSEQUENT EVENT

The Board of Directors at their meeting held on September 22,2012 have proposed a cash dividend of Rs. 4/- per share (2011 : Rs 6/- per share) for the year ended June 30, 2012, amounting to Rs.24.750 million (2011 : Rs. 37.125 million), and transfer to general reserve of Rs. 120 million (2011 : Rs 300 million) subject to the approval of members at the annual general meeting to be held on October 22, 2012.



40 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue by the Board of Directors on September 22, 2012.

41 RECLASSIFICATION:

For better presentation, reclassification made in the Financial statements is as follows

RECLASSIFICATION FROM COMPONENTS	RECLASSIFICATION TO COMPONENTS	AMOUNT (Rs. In '000')
Administrative expense	Selling and distribution expense	
Salaries & Wages	Salaries & Wages	8,819
Travelling Expense	Travelling Expense	5,433
Sales	Selling and distribution expense	
Export Freight	Export Freight	42,497
Commission	Commission	59,072

42 GENERAL

Figures have been rounded off to the nearest thousand rupees.

Karachi : September 22, 2012

Chairman

Director

Statement u/s 241 (2) of the Companies Ordinance 1984
The financial statements have not been authenticated by
the Chief Executive as he is presently out of Pakistan.

FORM OF PROXY

The Company Secretary
FAZAL TEXTILE MILLS LTD.
LA-2/B Block # 21, Rashid Minhas Road,
Federal 'B' Area, Karachi - 75950.

I/We _____
of _____ (full address)

being a member of **FAZAL TEXTILE MILLS LTD.** hereby appoint _____
of _____ (full address)
or failing him _____
of _____ (full address)

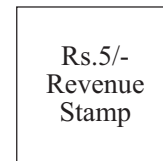
another member of the Company to attend and vote for me / us and on my / our behalf at the 50th Annual General Meeting of the Company to be held on October 22, 2012 at 11:00 Hrs and at any adjournment thereof.

As witness my / our hand this _____ day of _____ 2012.

Witness No. 1

Name _____
Address _____

NIC No. _____



Signature of Member(s)

Witness No. 2

Name _____
Address _____

NIC No. _____

(Name in Block letters)

Folio No _____
Participant ID No _____
Account No. in CDS _____

Important:

1. A member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of him / her. No person shall act as a Proxy (except for a corporation) unless he / she is entitled to be present and vote in his / her own right.
2. Members are requested:
 - (a) to affix Revenue Stamp of Rs. 5/- at the place indicated above.
 - (b) to sign across the Revenue Stamp in the same style of signature as is registered with the Company.
 - (c) to write down their Folio Numbers/Participant ID Numbers/Account Numbers in CDS(as applicable) at the place indicated above.
3. The instrument appointing a proxy, together with the Board of Directors' resolution / Power of Attorney (if any) under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time for holding the meeting.
4. CDC Account Holders are requested to strictly follow the guidelines mentioned in Circular No.1 dated January 26, 2000 of SECP.
5. CDC Account Holders or their proxies are each requested to attach an attested photocopy of their National Identity Card or Passport to this proxy form when submitting the same to the Company.

LA-2/B Block-21, Rashid Minhas Road,
Federal 'B' Area, Karachi, Pakistan.
Tel : (92-21) 36321311
Fax : (92-21) 36313372
Email : finance@fazaltextile.com
www.fazaltextile.com