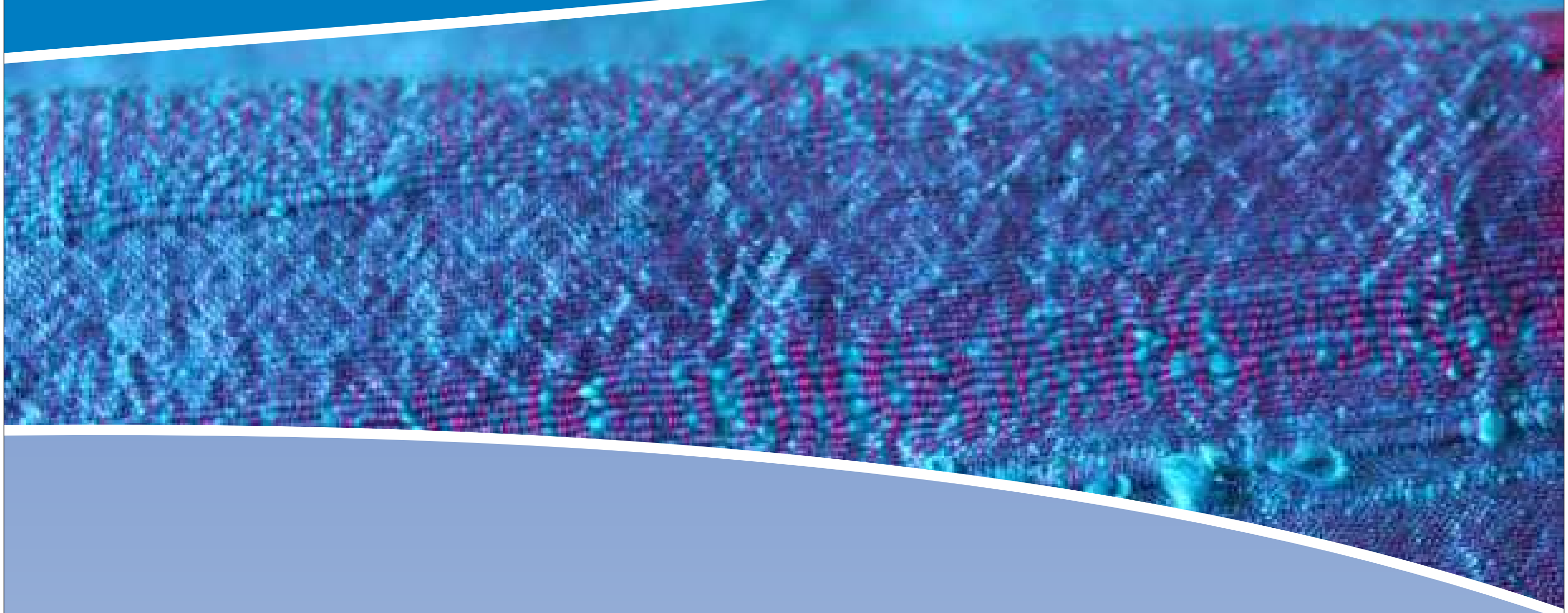


Annual Report 2012

The National Silk & Rayon Mills Ltd.

Manufacture & Exporter of Quality Textile Products

CONTENTS

MISSION STATEMENT

We Shall provide unparalleled service and best value to
our customers through dedicated,
responsive and cost effective supply chain.

We are to provide quality products by strict adherence to
international standards and best practices through collaboration
with leading global companies in markets we serve.

We shall strive to maximize our shareholders value
through sustained profitable growth.

We shall enhance existing employee productivity, hire,
retain and develop best talent and provide them
a competitive environment to excel and grow.

We will aggressively focus on increasing our
market penetration by exploring new channels.

We shall continue to set new trends through
innovative marketing and manufacturing.

COMPANY INFROMATION

Board of Directors	**Executive Directors** Sh. Faisal Tauheed - Chairman Sh. Kashif Tauheed Mrs. Samira Faisal Mrs. Tahira Kashif **Non Executive Directors** Mr. Yasir Munir - Independent Mrs. Amna Kamran Mrs. Sadia Kamran
Board Audit Committee	Mr. Yasir Munir - Chairman Mrs. Amna Kamran Mrs. Sadia Kamran
Board Human Resource and Remuneration Committee	Mr. Yasir Munir - Chairman Mrs. Amna Kamran Mrs. Sadia Kamran
Management Team	Sh. Faisal Tauheed Puri - Chief Executive Muhammad Islam Haider - Chief Financial Officer Imran Zafar - Company Secretary
Auditors	Amin Mudassar and Company Chartered Accountants
Bankers	National Bank of Pakistan The Bank of Punjab Bank Alfalah Limited Habib Metropolitan Bank Limited
Registered Office	4th Floor, I.E.P. Building, 97-B/D-1, Gulberg III, Lahore.
Factory	Dhuddiwala, Jaranwala Road, Faisalabad.
Share Registrar	Orient Software & Management Services (Pvt) Ltd; 35-Z, Ameer Plaza, Opposite Mujahid Hospital, Commercial Centre, Madina Town, Faisalabad.
Legal Advisor	Sahibzada Muhammad Arif Advocate High Court, Chamber No.52, District Courts, Faisalabad.

NOTICE OF 62ND ANNUAL GENERAL MEETING

Notice is hereby given that the Sixty Second Annual General Meeting of the Shareholders of The National Silk & Rayon Mills Limited will be held at Hospitality Inn, 25-26, Egerton Road, Lahore on 31st day of October 2012 at 3.30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2012 together with the Directors' and Auditors' Report thereon.

2. To appoint auditors for the year ending June 30, 2013 and fix their remuneration. The present auditors M/s Amin Mudassar & Co., Chartered Accountants, retire and offer themselves for re-appointment.

By order of the Board

Place: Lahore
Dated: October 07, 2012

(IMRAN ZAFAR)
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 23, 2012 to October 31,2012 (both days inclusive). Transfers received in order at Share Registrar Office of the Company, M/s Orient Software & Management Services (Pvt) Limited, 35-Z, Ameer Plaza, Opposite Mujahid Hospital, Madina Town, Faisalabad by the close of business October 22, 2012, will be treated in time for the entitlement to attend the meeting.

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her.

3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting.

4. Members are requested to submit declaration for zakat on the required format and to advise change in address, if any.

5. Members are requested to send copies their Computerized National Identity Cards (CNICs) to the Company's Independent Share Registrar, M/s. Orient Software & Management Services (Pvt) Limited, 35-Z, Ameer Plaza, Opposite Mujahid Hospital, Madina Town, Faisalabad.

   CDC Account Holder will further have to follow the under-mentioned guidelines as laid down in Circular No.1 of 2000, dated 26th January, 2000 issued by The Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of Individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.
b. In case of corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
b. The proxy form shall be witnessed by two persons, whose names, addresses and
c. CNIC number shall be mentioned on the form.
d. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
e. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
f. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

DIRECTORS REPORT

Your Directors take this opportunity to present to you the Annual Report together with audited financial statement of the year ended 30th June 2012.

Financial and Appropriations:

Your company is maintaining the pace of regular improvement in all areas and by the grace of Almighty Allah, your company continued to perform well and posted a profit before tax Rs.9,197,648/-. Financial result for the year is summarized as under:-

	2012 Rupees	2011 Rupees
Profit before taxation	9,197,648	1,699,799
Taxation :		
Current :		
For the year	5,029,658	3,825,709
Deferred	-	106,615
	5,029,658	3,932,324
Profit/(Loss) after taxation	4,167,990	(2232,525)
	--------R u p e e s--------	
Earning /(Loss) per share- Basic and Diluted	3.75	(2.01)

<u>Dividend</u>

The directors have not recommended any dividend for the year ended June 30, 2012 to conserve cash for future growth and expansion.

<u>Year under Review</u>

The Textile industry for the last many years has been undergoing turmoil due to short fall in cotton production, economic meltdown recession, unstable political and law and order situation in the country. As a result of aforesaid factors, a large number of spinning, weaving and processing units has been closed down. Unscheduled load shedding of gas and electricity has badly affected the processing industry. The unprecedented hike in electricity and gas tariff was also faced by the industry. Due to load shedding the company was unable to achieve the required production target. In spite of these difficulties, the management has been able to manage the Company and produced better results compared to last year due to better efficiency and increased revenues. During the year under review, the sale of the company increased to Rs.502,965,825/- from Rs. 365,110,217/- of last year and the Company has earned an after tax profits of Rs. 4,167,990 ie., earnings per share of Rs. 3.75 per share as against after tax loss of Rs. 2.01 per share.

Future Prospects

The management is trying their level best for improving the quality of processing of cloth and hopes that the refined quality would fetch better prices of our outputs. Consequently, the company's management anticipates better financial results in respect of the next financial year.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMWORK

The directors would like to confirm in relation to the financial statements and controls, the following:

- These financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The System of internal control is sound in design and has been effectively implemented. The system is being continuously monitored by internal audit and through other such monitoring procedure. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring in improvement in the system.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of the corporate governance, as listed in the listing regulations.
- Key operating and financial data for last six years in summarized form is annexed.
- Information about taxes and levies is given in the notes to the accounts.
- The company operated an un-funded and unapproved gratuity scheme. The provision was made annually to cover the obligations under the scheme as at the end of the financial year. The company has adopted the revised IAS 19 and a result actuarial valuation has been carried out. The projected unit credit method has been used to determine the actuarial values as specified by the IAS 19.

- There has been no material changes and commitments affecting the financial position which have occurred between the end of financial year and the date of annual report.

- During the year ten meeting of the Board of Directors were held. Attendance by each Director was as follows:

Name of Director	Total No. of Board Meeting	No. of Meetings Attended
Sh. Faisal Tauheed	10	10
Sh. Kashif Tauheed	10	10
Mst. Samira Faisal	10	10
Mst. Tahira Kashif	10	10
Mst. Saima Shahid	10	5
Mst. Amna Kamran	10	5
Mst. Sadia Kamran	10	6

- During the year four meetings of the audit committee, two meetings of Human Resource and Remuneration Committee were held which were attended as under:

Audit Committee

Name of Directors	**Total No. of meetings**	**No. of Meetings attended**
Mst. Saima Shahid	4	4
Mst. Amna Kamran	4	4
Mst. Sadia Kamran	4	4

Human Resources and Remuneration Committee

Name of Directors	**Total No. of meetings**	**No. of Meetings attended**
Mst. Saima Shahid	2	2
Mst. Amna Kamran	2	2
Mst. Sadia Kamran	2	2

- Directors will acquire certification in due course in accordance with the requirement of the code.

PATTERN OF SHAREHOLDING

The Pattern of shareholding in the prescribed form is annexed which also includes the information required under Code of Corporate Governance.

TRADING BY DIRECTORS ETC.,

No Shares of the Company were traded by Directors and executives and their spouse and minor children during the year.

CORPORATE SOCIAL RESPONSIBILITY

We are determined to contribute to society by proving good employment, contributing to national exchequer and working for the welfare of surrounding communities. We are committed to follow the highest social standard in how we conduct our business. The company took several initiatives to meet its Corporate Social Responsibility (CSR) and continued with reasonable financial support for the welfare of its employees, their families, the local community and society at large.

STATUTORY AUDITORS OF THE COMPANY

The present auditors M/s. Amin Mudassar and Company,Chartered Accountants retire and offer themselves for re-appointment. The Board Audit Committee and the Board of Directors have endorsed their re-appointment as auditors of the company for the year ending June 30, 2013 at the remuneration to be decided by the chief executive of the company for consideration by the shareholders in the forthcoming annual general meeting.

APPRECIATION

We would like to thank all of our staff members for the way they have responded to challenges of the year. Their hard work and commitment is greatly appreciated and is reflected in these results. We are also thankful for the encouragement and support which we received from our suppliers, shareholders, bankers and financial institutions.

On behalf of the Board

LAHORE: **Sh. Faisal Tauheed**

October 07, 2012 Chief Executive

Statement of Compliance with the Code of Corporate Governance
[See clause (xl)]
Name of Company The National Silk & Rayon Mills Limited
Year Ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of Listing Regulations of the Exchange 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 CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category		**Names**
Independent Director	1.	Mr. Yasir Munir
Executive Director	2.	Sh. Faisal Tauheed
-do-	3.	Sh. Kashif Tauheed
-do-	4.	Mrs. Samira Faisal
-do-	5.	Mrs. Tahira Kashif
Non-Executive Director	6.	Mrs. Amna Kamran
-do-	7.	Mrs. Sadia Kamran

The independent directors meet the criteria of independence under clause I (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI.

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

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

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

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

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 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 board has made schedule for training programs for one of the directors during the year.

10. No new appointments of CFO, Company Secretary and Head of Internal Audit, were made during the year. The board has, however, ratified their appointments including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 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 in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises three (3) members, two of whom are non-executive directors and the chairman of the committee is an independent director/executive.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. 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 (3) members two of whom are non-executive directors and the chairman of the committee is an independent director.

18. The board has set up an effective internal audit function which was duly reviewed and ratified by the Audit Committee and approved by the Board of Directors of the Company.

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

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

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

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board

Sh. Faisal Tauheed
Chief Executive Officer

October 07, 2012

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

We have reviewed the Statement of Compliance with the best practices (the statement) contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2012, prepared by the Board of Directors of **The National Silk & Rayon Mills Limited** ("The Company") to comply with the Listing Regulation No.35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Ltd., Listing Regulation No.35 (Chapter XI) of the Lahore Stock Exchange (Guarantee) Ltd. 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.

Regulation 35 (X) of the Listing Regulations require the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were 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 of the Company for the year ended June 30, 2012.

Amin, Mudassar & Co.
CHARTERED ACCOUNTANTS
GHULAM MUDASSAR

Faisalabad: October 07, 2012

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **The National Silk & Rayon 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 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 accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion :

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

(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, its cash flows and changes in equity for the year then ended; and

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Amin, Mudassar & Co.
CHARTERED ACCOUNTANTS
AUDIT ENGAGEMENT PARTNER: GHULAM MUDASSAR

Faisalabad: October 07, 2012

BALANCE SHEET
AS AT JUNE 30, 2012

EQUITY AND LIABILITIES	Note	2012 Rupees	2011 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital	3	14,000,000	14,000,000
Issued, subscribed and paid-up capital	4	11,109,410	11,109,410
Unappropriated profit		11,137,796	6,969,806
		22,247,206	18,079,216
SURPLUS ON REVALUATION OF FIXED ASSETS	5	176,329,091	49,379,091
NON CURRENT LIABILITIES			
Long term loans	6	125,921,707	97,088,707
Liabilities against assets subject to finance lease	7	-	2,329,437
Deferred liabilities	8	7,764,751	6,836,269
		133,686,458	106,254,413
CURRENT LIABILITIES			
Trade and other payables	9	56,593,253	53,318,453
Accrued interest and mark up	10	951,693	1,260,082
Short term borrowings- Secured	11	29,411,144	29,456,363
Current portion of lease liabilities	12	2,329,437	3,971,752
Provision for taxation-income tax	13	-	-
		89,285,527	88,006,650
CONTINGENCIES AND COMMITMENTS	14		
		421,548,282	261,719,370

ASSETS	Note	2012 Rupees	2011 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	15	324,912,958	167,446,255
Long term deposits	16	1,821,921	2,940,941
		326,734,879	170,387,196
CURRENT ASSETS			
Stores, spares and loose tools	17	2,648,462	6,021,605
Stock in trade	18	34,851,996	45,027,877
Trade debts	19	20,826,337	15,471,508
Loans and advances	20	10,169,125	3,338,287
Trade deposits , short term prepayments and current account balances with statutory authorities	21	19,912,598	14,691,264
Accrued interest		9,608	9,226
Due from Government	22	4,779,058	2,971,767
Cash and bank balances	23	1,616,219	3,800,640
		94,813,403	91,332,174
		421,548,282	261,719,370

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

CHIEF EXECUTIVE **DIRECTOR**

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

	Note	2012 Rupees	2011 Rupees
Sales- net	**24**	502,965,825	365,110,217
Cost of sales	**25**	471,381,058	343,775,173
Gross profit		31,584,767	21,335,044
Distribution cost	**26**	250,308	382,730
Administrative expenses	**27**	18,586,087	15,434,951
Other operating expenses	**28**	553,286	393,229
		19,389,681	16,210,910
		12,195,086	5,124,134
Other operating income	**29**	1,878,017	1,424,791
		14,073,103	6,548,925
Finance cost	**30**	4,875,455	4,849,126
Profit before taxation		9,197,648	1,699,799
Taxation :			
Current :			
For the year	**13**	5,029,658	3,825,709
Deferred	**8.4**	-	106,615
		5,029,658	3,932,324
Profit / (Loss) after taxation		4,167,990	(2,232,525)
		--------R u p e e s--------	
Earning / (Loss) per share- Basic and Diluted	**31**	3.75	(2.01)

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

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
Profit /(Loss) after taxation	4,167,990	(2,232,525)
Other comprehensive income-net of taxation	-	-
Total comprehensive income / (loss) for the year-net of tax	4,167,990	(2,232,525)

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

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	26,793,504	8,527,251
Taxes paid		(4,680,655)	(2,143,310)
Finance cost paid		(5,183,844)	(4,414,943)
Gratuity paid		(1,565,268)	(865,166)
Net cash flows from operating activities		15,363,737	1,103,832
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(44,485,207)	(6,448,459)
Long term deposits		1,119,020	420,000
Sale proceeds of fixed assets		1,002,000	538,000
Net cash flows from investing activities		(42,364,187)	(5,490,459)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans		28,833,000	-
Dividend paid		-	(1,110,941)
Repayment of lease finance liabilities		(3,971,752)	(4,590,731)
Net cash flows from financing activities		24,861,248	(5,701,672)
Net (Decrease) in cash and cash equivalents		(2,139,202)	(10,088,299)
Cash and Cash Equivalents at the Beginning of the Year		(25,655,723)	(15,567,424)
Cash and Cash Equivalents at the End of the Year	B	(27,794,925)	(25,655,723)

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

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
A - CASH GENERATED FROM OPERATIONS			
Profit before taxation		9,197,648	1,699,799
Adjustment of non cash and other items:			
Provision for gratuity		2,493,750	1,750,439
Depreciation		13,392,396	13,171,179
Profit on disposal of fixed assets		(425,892)	(367,716)
Finance cost		4,875,455	4,849,126
		20,335,709	19,403,028
Cash flows before working capital changes		29,533,357	21,102,827
EFFECT ON CASH FLOWS OF WORKING CAPITAL CHANGES			
(Increase)/Decrease in current assets			
Stores, spares and loose tools		3,373,143	(5,687,822)
Stocks in trade		10,175,881	(22,982,294)
Trade debts		(5,354,829)	7,715,070
Loan and advances		(6,830,838)	462,061
Trade deposit and short term prepayments		(5,570,337)	(379,239)
Due from Government		(1,807,291)	4,166,904
Accrued interest		(382)	-
Increase/(Decrease) in current liabilities			
Trade and other payables		3,274,800	4,129,744
		(2,739,853)	(12,575,576)
		26,793,504	8,527,251
B - CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	1,616,219	3,800,640
Short term borrowings	11	(29,411,144)	(29,456,363)
		(27,794,925)	(25,655,723)

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

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2012

	SHARE CAPITAL	UN-APPROPRIATED PROFIT	TOTAL
	---------- R	u p e e	s ----------
Balance as at June 30, 2010	11,109,410	10,313,272	21,422,682
Profit for the year	-	(2,232,525)	(2,232,525)
Final dividend given during the year@ Rs.1 for each share for the year ended June 30, 2010	-	(1,110,941)	(1,110,941)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(3,343,466)	(3,343,466)
Balance as at June 30, 2011	11,109,410	6,969,806	18,079,216
Profit for the year	-	4,167,990	4,167,990
Other comprehensive income	-	-	-
Total comprehensive profit	-	4,167,990	4,167,990
Balance as at June 30, 2012	11,109,410	11,137,796	22,247,206

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

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1 STATUS AND NATURE OF BUSINESS

The Company is a Public Limited Company, incorporated under the Companies Act, 1913 (Now Companies Ordinance, 1984). The Company is quoted on Lahore and Karachi stock exchanges. The principal activity of the company is dyeing, bleaching, finishing and embroidery of fabrics.

2. STATEMENT OF COMPLIANCE AND 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 the 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 or directives of the Companies Ordinance , 1984 shall prevail.

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

The following amendments to existing standards have been published that are applicable o the company's financial statements covering annual periods, beginning on or after the following dates:

2.1.2 Amendments to Published Standards effective in current year

New and amended standards and interpretations mandatory for the first time for the financial year beginning on or after April 01,2011 that are either not relevant to the company's current operations (although they may affect the accounting for future transactions and events) or do not have a significant impact on the company's financial statements other than certain additional disclosures, are as follows:

- IFRS 7 (Amendments), 'Financial Instruments', emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

- IAS 1, 'Presentation of financial statements' (Amendments), now requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The company has preferred to present this analysis in the statement of changes in equity.

- IAS 24 (Revised, 'Related Party Disclosures', issued in November 2009, it supersedes IAS 24, 'Related Party Disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

- IAS 32 (Amendment), 'Classification of rights issues', issued in October 2009. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issued had to be accounted for as derivative liabilities.

- IFRIC 14 (Amendment); 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as a difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

2.1.2 Standards, Amendments and Interpretations to Existing Standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after April 01, 2012 or later periods, or later periods, and the company has not early adopted them, however, these are not expected to have any material impact on the company's financial statements:

- IFRS 7, 'Disclosures on transfers of financial assets' (Amendment), issued on October 08, 2010. The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. These amendments are effective for the financial reporting periods commencing on April 01, 2012.

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

- IFRS 10, 'Consolidate Financial Statements', applicable from January 01, 2013 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 11, 'Joint Arrangements'. Applicable from January 01, 2012, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for it interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest Proportional consolidation of joint ventures is no longer allowed. The company will apply this standard from April 01, 2013.

- IFRS 12, 'Disclosures of interest in other entities'. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not applicable until April 01, 2013 but is available for early adoption.

- IFRS 13, 'Fair value measurement'. This standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or USGAAP. The standard is not applicable until April 01, 2013 but is available for early adoption.

- IAS 1, 'Financial presentation' (Amendment). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI)on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. The company will apply these amendments from April 01, 2013.

- IAS 12, 'Income Taxes' (Amendments). These are applicable on accounting periods beginning on or after January 01, 2012. IAS 12, 'Income taxes', current requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS40, 'Investment Property'. this amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 221, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The company will apply these amendments from April 01, 2012.

- IAS 19, 'Employee Benefits' (Amendment). The amendment will eliminate the corridor approach and calculate finance costs on a net funding basis. The amendments are not applicable until April 01, 2013 but is available for early adoption.

There no other IFRs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

2.2 SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Basis of Preparation

These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

2.2.2 Significant Accounting Estimates and Judgments

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 judgment in the process of applying the company's accounting policies. Estimates and judgment are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Staff retirement benefits;
b) Taxation; and
c) Useful life of depreciable assets and provision for impairment there against.

2.2.3 Staff Retirement Benefits

The Company operates an unfunded Gratuity Scheme covering all the employees of the Company with qualifying service period of six months. Provision is made annually on the basis of actuarial valuation which is charged to income currently. The most recent actuarial valuation was carried out as at June 30, 2010. using the Projected Unit Credit Method. Actuarial gains and losses are recognized in accordance with the recommendations of the actuary. Further, the management of the company could not determine the expected payments in next period reasonably.

	2012	2011
Principal Actuarial Assumptions		
Expected rate of eligible salary increase in future years	11% per annum	11% per annum
Discount Rate	12% per annum	12% per annum
Average expected remaining working life time of employees	12 years	12 years

2.2.4 Taxation

Current

Company's export sales fall under presumptive tax regime under Section 154 of the Income Tax Ordinance, 2001. Charge for current taxation other than export is based on taxable income at the current rates of taxation after taking into account tax credits, brought forward losses, accelerated depreciation allowances and any minimum limits imposed by the taxation laws.

Deferred

The company accounts for deferred taxation using the liability method on all timing differences which are considered reversible in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred tax is calculated at the rates expected to apply to the period when the related temporary differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

2.2.5 Foreign Currency Translations

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are included in income currently.

2.2.6 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. All other borrowing costs are charged to income in the period of incurrence.

2.2.7 Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land and capital work-in-progress. Freehold land is stated at revalued amount and capital work-in-progress is stated at cost consisting of expenditure incurred in respect of fixed assets in the course of their construction and installation. Cost of certain plant and machinery consists of historical cost and exchange fluctuations on foreign currency loans utilized for acquisition thereof. Borrowing costs pertaining to erection / construction period are capitalized as part of the historical cost.

Depreciation is charged to income applying reducing balance method to write-off the cost, capitalized exchange fluctuations and borrowing costs over estimated remaining useful life of assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets. Rates of depreciation are stated in (note 15).

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment 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 income currently. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

Gains/losses on disposal of fixed assets are taken to Profit and Loss Account.

Minor repairs and maintenance are charged to income, as and when incurred. Major renewals and replacements are capitalized and the assets so replaced, if any, other than those kept as stand by, are retired.

2.2.8 Assets Subject to Finance Lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Depreciation is charged at the rates stated in (note 15) applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life.

Financial charges and depreciation on leased assets are charged to income currently.

2.2.9 Capital Work in Progress

Capital work in progress is stated at cost less any identified impairment loss.

2.2.10 Long Term Deposits and Loans

These are stated at cost.

2.2.11 Stores , Spares and Loose Tools

These are valued at moving average cost. Stores-in-transit are valued at cost accumulated to the balance sheet date.

2.2.12 Stocks-in-Trade

These are valued as follows:

Raw materials:	
Dyes, Chemicals and Packing Material	At Weighted Average Cost.
Chemicals and Dyes in Process	At Weighted Average Cost.
Finished goods	At Lower of Cost and net Realizable Value.

Cost in relation to work-in-process and finished goods represents the annual average manufacturing cost which consists of prime cost and appropriate production overheads.

Net realizable value signifies the selling price in the ordinary course of business less cost necessary to be incurred to effect such sales.

2.2.13 Revenue Recognition:

- Processing charges are recorded when goods are delivered to customers and invoices raised.
- Export sales are booked on shipment basis.
- Other sales are recorded when significant risks and rewards of ownership of the goods have passes to the customers which coincides with dispatch of goods to customers.

2.2.14 Trade debts and other receivables

Trade debts originated by the company are recognized and carried at original invoice amount less any allowance for any uncollectible amounts. Known bad debts, if any, are written-off and provision is made against debts considered doubtful.

2.2.15 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in cash flow statement comprise of cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term running finances under mark up arrangements.

2.2.16 Financial Instruments

Recognition and Measurements

All financial assets and liabilities are recognized at cost when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on subsequent re-measurement to fair value of financial assets and financial liability is taken to profit and loss account on occurrence.

Off-setting of Financial Assets and Financial Liabilities

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

2.2.17 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

2.2.18 Trade and Other Payables

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

2.2.19 Provisions

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

2.2.20 Dividends

Dividend distribution to company's shareholders is recognized as a liability in the period in which dividend is approved by the Company's shareholders.

2.2.21 Transactions with related parties

All transactions with related parties are carried out by the company using the methods prescribed under the Companies Ordinance,1984.

2.2.22 Contingencies and Commitments

Capital commitments and contingencies, unless those are actual liabilities, are not incorporated in the financial statements.

2.2.23 Functional and Presentation Currency

The financial statements are prepared in Pakistani Rupee, which is the Company's functional and presentation currency.

	2012 Rupees	2011 Rupees
3 AUTHORIZED SHARE CAPITAL		
1,000,000 A - Class Ordinary shares of Rs. 10/- each.	10,000,000	10,000,000
400,000 B - Class Ordinary shares of Rs. 10/- each.	4,000,000	4,000,000
	14,000,000	14,000,000
4 ISSUED, SUBSCRIBED & PAID-UP CAPITAL		
Issued for Cash		
609,034 A - Class Ordinary Shares of Rs. 10. each	6,090,340	6,090,340
320,100 B - Class Ordinary Shares of Rs. 10. each	3,201,000	3,201,000
	9,291,340	9,291,340
Issued as Bonus Shares		
181,807 Ordinary Shares of Rs. 10. each	1,818,070	1,818,070
	11,109,410	11,109,410
5 SURPLUS ON REVALUATION OF FIXED ASSETS		
Balance as at 30th June	49,379,091	49,379,091
Add: Surplus arose on revaluation of fixed assets	126,950,000	-
	176,329,091	49,379,091

The Company has revalued its freehold Land during the year 2000. The revaluation exercise was carried-out by M/s Iqbal Malik and company, Surveyors-Assessors Consultants, Multan resulting in surplus of Rs.49,379,091 over book value. This has been credited to surplus on revaluation of fixed assets. The surplus on revaluation is not available for appropriation under the requirement of Section 235 of the Companies Ordinance, 1984, except and to the extent actually realized on disposal of the assets which are revalued.Thereafter, the company again revalued its freeholand on June 27, 2012.The rvaluation excercise was carried out by an independent valuer M/s Material & Design Services (Pvt) Limited, Faisalabad based on market value resulting in surplus of Rs.126,950,000. The amount had been credited to surplus of revaluation of fixed assets to comply with the requirement of section 235 of the Companies Ordinance, 1984.

	Note	2012 Rupees	2011 Rupees
6 LONG TERM LOANS-Unsecured			
From related parties:			
Directors and associates	**6.1**	125,921,707	97,088,707
		125,921,707	97,088,707

6.1 LOAN FROM DIRECTORS AND ASSOCIATES

	2012 Rupees	2011 Rupees
Balance as at July 01,	97,088,707	92,088,707
Add: Received during the year	28,833,000	5,000,000
	125,921,707	97,088,707
Less: Repaid during the year	-	-
	125,921,707	97,088,707

This represents interest free loan obtained from the directors of the company. These are repayable after June 30, 2013.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The reconciliation between gross minimum lease payments, future financial charges and present value of minimum lease payments is as follows:

	Not later than one year	Later than one year but not later than Five years	2012 Rupees	2011 Rupees
	---------- R u p e e s ----------			
Gross minimum lease payments	2,347,376	-	2,347,376	11,197,288
Less: Financial charges allocated to future years	17,939	-	17,939	1,183,038
Present value of minimum lease payments	2,329,437	-	2,329,437	10,014,250

The Company has lease finance facilities with Askari Leasing Limited and The Bank of Punjab Limited to acquire plant & machinery and vehicles. These are secured against charge over plant and machinery and personal guarantee of Directors. These are repayable in 36 equal monthly installments. The markup charged thereon ranges from 12% to 18.96% per annum.(2011: 12% to 18.96%) The company intends to exercise its option to purchase the leased assets upon completion of respective lease terms. The leased assets are in the name of Leasing company and on the exercise of option of purchase, title of these leased assets will be transferred in the name of Company.

	Note	2012 Rupees	2011 Rupees
8. DEFERRED LIABILITIES			
Provision for staff gratuity	**8.1**	7,764,751	6,836,269
		7,764,751	6,836,269

8.1 Staff Gratuity - Defined benefits plan

	2012 Rupees	2011 Rupees
The amount recognized in the balance sheet on this account as per IAS 19 is:		
Present value of defined benefit obligation	7,764,751	6,836,269
Movement in present value of defined benefit obligation:		
Present value of defined benefit obligations as on July 01,	6,836,269	5,950,996
Add: Expense recognized during the year	2,493,750	1,750,439
	9,330,019	7,701,435
Less: Benefits paid during the year	(1,565,268)	(865,166)
Present value of defined benefit obligations as on June 30,	7,764,751	6,836,269
Charge to profit and loss account for the year is as follows:		
Current service cost	931,788	893,110
Interest cost	820,352	818,353
Actuarial (gains) / loss charge	741,610	38,976
	2,493,750	1,750,439

	2012	2011
8.2 Principal Actuarial Assumptions		
Expected rate of eligible salary increase in future years	11% per annum	11% per annum
Discount Rate	12% per annum	12% per annum
Average expected remaining working life time of employees	12 years	12 years

8.3 Comparison for five years:

As at June 30,	2012	2011	2010	2009	2008
		---------------------- (R u p e e s)----------------------			
Present value of defined benefit obligation	7,764,751	6,836,269	5,950,996	6,259,400	4,431,371

	2012 Rupees	2011 Rupees
8.4 Deferred Taxation		
This is composed of the following:		
Deferred tax liability on taxable temporary differences arising in respect of:		
Accelerated tax depreciation	24,181,462	16,601,647
Excess of accounting book value of leased assets over liabilities	1,164,187	1,906,493
	25,345,649	18,508,140
Deferred tax asset on deductable temporary differences arising in respect of:		
Deferred debits arising in respect of staff gratuity	(2,717,663)	(2,392,694)
Deferred debits arising on brought forward losses	(22,627,986)	(16,115,446)
	(25,345,649)	(18,508,140)
	-	-
Balance as at July 01,	-	(106,615)
Add: Charge / (Reversal) for the year	-	106,615
	-	-

Deferred tax amounting to Rs.4.18 million on unused tax losses, has not been recognized in these financial statements being prudent. Management is of the view that recognition of deferred tax asset shall be re-assessed as at June 30, 2013.

9 TRADE AND OTHER PAYABLES

	Note	2012	2011
Sundry creditors		24,503,443	30,699,156
Accrued expenses		20,623,703	13,621,672
Advance from customers		1,243,624	3,471,257
Unclaimed dividend		462,347	462,811
Letter of credit payable		9,205,629	4,857,035
Income tax withheld		70,421	115,233
Workers' (profit) participation fund	9.1	484,086	91,289
		56,593,253	53,318,453

	2012	2011
9.1 Workers' (Profit) Participation Fund		
Balance as at July 01,	91,289	98,130
Interest charged for year	9,585	10,305
	100,874	108,435
Less: Payments during the Year	100,874	108,435
	-	-
Allocation for the year	484,086	91,289
	484,086	91,289

10 ACCRUED INTEREST AND MARK UP	Note	2012 Rupees	2011 Rupees
Mark up on short term finances- Secured		951,693	1,170,828
Lease finance charges- Secured		-	89,254
		951,693	1,260,082

11 SHORT TERM BORROWINGS -Secured

	Note	2012 Rupees	2011 Rupees
From banking companies:			
Cash finance	11.1	21,438,066	21,502,111
Running finance	11.2	7,973,078	7,954,252
		29,411,144	29,456,363

11.1 This facility has been obtained from National Bank of Pakistan with sanctioned limit of Rs.30.00 Million (2011: Rs.22.00 million) for working capital. This is secured against hypothecation charge over Company's present and future current assets, mortgage charge over fixed assets and personal guarantees of all directors. This carries markup @ 3 months KIBOR(Ask) rate+3.25% per annum (2011:@ 3 months KIBOR(Ask) rate+3.25% per annum) payable on quarterly basis.

11.2 This facility has been obtained from The Bank of Punjab with sanctioned limit of Rs.8.00 Million (2011:Rs.8.00 million) for working capital. This is secured against hypothecation charge over Company's present and future current assets, mortgage charge over fixed assets and personal properties of two directors and personal guarantees of all directors. This carries markup @ 3 month KIBOR(Avg) + 325 bps with floor of 12% per annum (2011:@ 3 month KIBOR + 325 bps with floor of 12% per annum) payable on quarterly basis.

The facilities for opening letters of credit and export bills negotiation as at June 30, 2012 amounted to Rs.98.00 Million (2011: Rs.50.00 Million) of which the amount under utilized at year end was Rs.30.16 Million (2011: under utilized Rs. 30.16 Million) .

12 CURRENT PORTION OF LEASE LIABILITIES	2012 Rupees	2011 Rupees
Payable within next twelve months	2,329,437	3,402,372
Overdue principal	-	569,380
	2,329,437	3,971,752

13 PROVISION FOR TAXATION

	2012 Rupees	2011 Rupees
Balance as at 1st July,	-	-
Less: Adjusted during the year	-	-
	-	-
Add: Provision for the taxation-current	5,029,658	3,825,709
	5,029,658	3,825,709
Less: Tax deducted at source / advance tax	(5,029,658)	(3,825,709)
	-	-

13.1 Income tax assessments of the company have been finalized up to the Tax Year 2011. On the basis of return filed for the Tax Year 2011 the loss of Rs.62,990,463 was determined.

13.2 Provision for the current year represents tax on income chargeable under the final tax regime and minimum tax on turnover due under section 113 of the Income Tax Ordinance, 2001.

13.3 No numeric tax rate reconciliation is presented in these financial statements as the company is not liable to pay normal tax due to available tax losses.

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

- Counter guarantees by the bank in respect of guarantees issued in the normal course of business for sum of Rs.Nil (2011: Rs.15.00 million).
- Sui Northern Gas Pipelines Limited (SNGPL) has raised a demand amounting Rs.39.805 million (2011:Rs. Nil) .Which has been contested by the Company as unsubstantiated and unjustified.The Company has deposited Rs.8.543 million with SNGPL under protest as referred to note no.20 to the financial statements.SNGPL has constituted a Review Committee to examin and resolve the matter and bring the facts on record.The Company is hopeful that the decsion of the Review Committee would be in favour of the Company.
- The Employee Old Age Benefit Institution, Regional Office South, Faisalabad has raised demand amounting Rs.1.450 million (2011:Rs. Nil) under Section 13 (1) of the Employees' Old Age Benefit Act, 1976.The case is pending for decsion before Registrar Adjudication Employees Old Age Benefit, Lahore.The Company is expecting that the outcomes of the case would be in favour of the Company.

14.2 Commitments

Commitments in respect of letters of credit for capital expenditures were amounting Rs.Nil (2011: Rs.7.410 million)

Commitments in respect of letters of credit other than for capital expenditures were amounting Rs.9.205 million (2011: Rs.12.688 million)

15 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	OWNED												LEASED			CAPITAL WORK IN PROGRESS			GRAND TOTAL
	Land-Freehold			Building on Free hold Land															
	Cost	Revaluation Surplus	Sub Total	Factory	Residential	Sub Total	Plant and Machinery	Pipeline and Electric Fitting	Office Equipment	Furniture and Fixture	Vehicles	TOTAL	Plant and Machinery	Vehicles	TOTAL	Building	Plant and Machinery	TOTAL	
								Amount		In		Rupees							
Cost / Revaluation																			
Balance as at 01 July,2010	220,909	49,379,091	49,600,000	17,961,368	104,888	18,066,256	184,118,607	8,007,935	1,991,914	753,590	4,458,792	266,997,094	15,375,000	-	15,375,000	-	-	-	282,372,094
Additions	-	-	-	-	-	-	1,488,524	2,143,895	-	-	2,816,040	6,448,459	-	-	-	-	-	-	6,448,459
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	(895,900)	(895,900)	-	-	-	-	-	-	(895,900)
Balance as at 30 June 2011	220,909	49,379,091	49,600,000	17,961,368	104,888	18,066,256	185,607,131	10,151,830	1,991,914	753,590	6,378,932	272,549,653	15,375,000	-	15,375,000	-	-	-	287,924,653
Balance as at 01 July,2011	220,909	49,379,091	49,600,000	17,961,368	104,888	18,066,256	185,607,131	10,151,830	1,991,914	753,590	6,378,932	272,549,653	15,375,000	-	15,375,000	-	-	-	287,924,653
Additions	-	126,950,000	126,950,000	-	-	-	42,339,956	-	-	-	2,145,251	171,435,207	-	-	-	-	-	-	171,435,207
Transfers	-	-	-	-	-	-	7,875,000	-	-	-	-	7,875,000	(7,875,000)	-	(7,875,000)	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	(1,394,490)	(1,394,490)	-	-	-	-	-	-	(1,394,490)
Balance as at 30 June 2012	220,909	176,329,091	176,550,000	17,961,368	104,888	18,066,256	235,822,087	10,151,830	1,991,914	753,590	7,129,693	450,465,370	7,500,000	-	7,500,000	-	-	-	457,965,370
Depreciation																			
Balance as at 01 July 2010	-	-	-	13,771,343	96,026	13,867,369	82,214,074	5,474,889	1,249,395	633,965	2,408,800	105,848,491	2,184,344	-	2,184,344	-	-	-	108,032,835
Charge for the year	-	-	-	419,003	443	419,446	10,190,453	253,305	74,252	11,963	744,277	11,852,113	1,319,066	-	1,319,066	-	-	-	13,171,179
Transfers	-	-	-	-	-	-	114,531	43,886	-	-	-	-	-	-	-	-	-	-	-
On disposals/transfers	-	-	-	-	-	-	-	-	-	-	(725,616)	(725,616)	-	-	-	-	-	-	(725,616)
Balance as at 30 June 2011	-	-	-	14,190,346	96,469	14,286,815	92,519,058	5,772,080	1,323,647	645,928	2,427,461	116,974,988	3,503,410	-	3,503,410	-	-	-	120,478,398
Balance as at 01 July 2011	-	-	-	14,190,346	96,469	14,286,815	92,519,058	5,772,080	1,323,647	645,928	2,427,461	116,974,988	3,503,410	-	3,503,410	-	-	-	120,478,398
Charge for the year	-	-	-	377,102	421	377,523	10,488,573	437,975	66,827	10,766	823,573	12,205,237	1,187,159	-	1,187,159	-	-	-	13,392,396
Transfers	-	-	-	-	-	-	2,860,569	-	-	-	-	2,860,569	(2,860,569)	-	(2,860,569)	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	(818,382)	(818,382)	-	-	-	-	-	-	(818,382)
Balance as at 30 June 2012	-	-	-	14,567,448	96,890	14,664,338	105,868,200	6,210,055	1,390,474	656,694	2,432,652	131,222,412	1,830,000	-	1,830,000	-	-	-	133,052,412
Carrying amount-2011	220,909	49,379,091	49,600,000	3,771,022	8,419	3,779,441	93,088,073	4,379,750	668,267	107,662	3,951,471	155,574,665	11,871,590	-	11,871,590	-	-	-	167,446,255
Carrying amount-2012	220,909	176,329,091	176,550,000	3,393,920	7,998	3,401,918	129,953,887	3,941,775	601,440	96,896	4,697,041	319,242,958	5,670,000	-	5,670,000	-	-	-	324,912,958
Rates of Depreciation (%p.a)				10%	5%		10%	10%	10%	10%	20%		10%	20%					

15.1 The depreciation charged for the year has been allocated as follows:

	Note	2012 Rupees	2011 Rupees
Cost of sales	25	12,053,156	11,854,061
Administrative expenses	27	1,339,240	1,317,118
		13,392,396	13,171,179

15.2 The Company during the year ended June 30, 2000 had revalued its freehold land. The revaluation exercise was carried out by an independent valuer M/S Iqbal and Company, Surveyors, Assessors and Consultants, Multan on the basis of replacement cost. Had there been no revaluation of Freehold Land., the carrying amount of the Land as at June 30,2012 would have been as follows:

Particulars	Cost Rupees	Accumulated Depreciation	Carrying Value
	………………..R U	P E E	S………………..
Freehold Land	220,909	-	220,909
As at June 30,2012	220,909	-	220,909
As at June 30,2011-Rupees	**220,909**	**-**	**220,909**

15.3 Disposal of property, plant and equipment:

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit	Mode of Disposal	Particulars
		………………..R U	P E E S………………..				
Vehicle							
Honda City Vehicle Registration No. FDA-08-20470	1,259,800	729,810	529,990	940,000	410,010	Negotiation	Mohsin Ayub
Items having book value less than Rs. 50,000 each	134,690	88,572	46,118	62,000	15,882	Negotiation	Hafiz Zia & Munir Ali Bhatti
2012	1,394,490	818,382	576,108	1,002,000	425,892		
2011: Rupees	**895,900**	**725,616**	**170,284**	**538,000**	**367,716**		

	2012 Rupees	2011 Rupees
16 LONG TERM DEPOSITS		
Security deposits	321,921	259,691
Deposits against finance lease	1,500,000	2,681,250
	1,821,921	2,940,941
17 STORES, SPARES AND LOOSE TOOLS		
Stores	505,535	3,016,762
Spares	2,142,927	3,004,843
	2,648,462	6,021,605
18 STOCK IN TRADE		
Raw material	28,601,888	36,280,140
Packing material	640,215	88,244
Work in process - Cost of processing done on third party orders	1,462,046	2,201,423
Finished goods - Cost of processing done on third party orders	4,147,847	6,458,070
	34,851,996	45,027,877

18.1 These stocks are hypothecated with banks as security against short term finances as indicated in note no.11.

	Note	2012 Rupees	2011 Rupees
19 TRADE DEBTS			
Export - Secured against confirmed letters of credit		-	-
Local - Unsecured and considered good by the management.		20,826,337	15,471,508
		20,826,337	15,471,508
20 LOANS AND ADVANCES			
Advances to: (Unsecured but considered good)			
Suppliers of goods		617,933	1,210,791
Employees against salaries		100,000	110,011
Employees against expenses		908,147	2,017,485
Others -SNGPL	**20.1**	8,543,045	-
		10,169,125	3,338,287

20.1 Referred to note no.14.1 to the financial statements.

	Note	2012 Rupees	2011 Rupees
21 TRADE DEPOSITS , SHORT TERM PRE-PAYMENTS AND CURRENT ACCOUNT BALANCES WITH STATUTORY AUTHORITIES			
Trade deposits:			
Security deposits		16,622,100	11,024,100
Guarantee margin		-	2,250,000
Short term prepayments		1,053,601	613,975
Immature letters of credit- secured	**21.1**	1,897,603	114,892
Tax deducted at source		339,294.24	688,297
		19,912,598	14,691,264

21.1 These comprise of opening charges, bank charges and partial payments of cost of documents.

	2012 Rupees	2011 Rupees
22 DUE FROM GOVERNMENT		
Sales tax refundable	4,779,058	2,971,767
	4,779,058	2,971,767

	Note	2012 Rupees	2011 Rupees
23 CASH AND BANK BALANCES			
Cash in hand		63,670	80,596
Cash with banks in:			
Current accounts		1,247,549	3,415,044
Deposit accounts	23.1	305,000	305,000
		1,552,549	3,720,044
		1,616,219	3,800,640

23.1 These are Term Deposit Receipts (TDR) held under lien by National Bank of Pakistan as margin against guarantees issued to Sui Northern Gas Pipe Lines Limited and carry mark up @6.09% per annum (2011:@6.09%% per annum).

	Note	2012 Rupees	2011 Rupees
24 SALES -net			
Gross:			
Exports		2,155,241	8,080,264
Processing receipts		488,887,431	356,828,709
Others		14,101,201	1,558,120
		502,988,632	358,386,829
Less: sales tax		(2,178,048)	(1,356,876)
		500,810,584	357,029,953
		502,965,825	365,110,217
25 COST OF SALES			
Salaries, wages and benefits	25.2	25,445,620	21,552,756
Fuel and power		195,755,869	149,854,044
Raw material consumed	25.1	205,716,579	144,009,649
Packing material consumed		7,629,282	6,850,202
Stores and spares consumed		15,728,854	6,083,719
Oil and greases consumed		4,652,640	4,027,684
Repair and maintenance		1,349,458	2,937,563
Depreciation	15.1	12,053,156	11,854,061
		468,331,458	347,169,678
Work in process			
Opening stock		2,201,423	2,384,713
Closing stock		(1,462,046)	(2,201,423)
		739,377	183,290
		469,070,835	347,352,968
Finished goods			
Opening stock		6,458,070	2,880,275
Closing stock		(4,147,847)	(6,458,070)
		2,310,223	(3,577,795)
		471,381,058	343,775,173
25.1 Raw Material Consumed			
Balance as at July 01,		36,280,140	16,493,673
Purchases during the Year		198,038,327	163,796,116
Available for Consumption		234,318,467	180,289,789
Less: Balance as at June 30,		28,601,888	36,280,140
		205,716,579	144,009,649

25.2 Salaries, wages and benefits include Rs. 2,069,812 (2011: Rs. 1,452,796) in respect of staff gratuity.

	Note	2012 Rupees	2011 Rupees
26 DISTRIBUTION COSTS			
Salaries and benefits		136,034	93,046
Advertisement and sales promotion expenses		65,400	27,640
Ocean charges		-	207,944
Clearing and forwarding charges		48,874	54,100
		250,308	382,730

	Note	2012 Rupees	2011 Rupees
27 ADMINISTRATIVE EXPENSES			
Directors' remuneration		5,392,800	3,571,200
Rent, rates and taxes		201,504	199,614
Staff salaries and benefits	**27.1**	3,849,828	3,687,233
Traveling and conveyance		173,157	175,793
Electricity		16,787	16,198
Water and sewerage expense		1,529,026	1,538,364
Communication expenses		794,315	770,965
Printing and stationery		508,692	379,725
Repair and maintenance		1,027,841	783,565
Vehicle running and maintenance		902,001	958,260
Fees and subscriptions		419,650	361,959
Legal and professional charges		45,000	30,000
Auditors' remuneration	**27.2**	320,000	285,000
Newspapers and periodicals		8,952	8,282
Entertainment		707,347	607,714
Insurance		900,399	522,930
Zakat deducted at source		7,625	7,625
Depreciation	**15.1**	1,339,240	1,317,118
Miscellaneous		441,923	213,406
		18,586,087	15,434,951

27.1 Staff salaries and benefits includes Rs.423,938 (2011: Rs.297,643) in respect of staff gratuity.

27.2 Auditors' remuneration

The audit fee and remuneration for other services included in the financial statements is as follows:

	2012 Rupees	2011 Rupees
Amin, Mudassar & Co.		
Statutory audit	300,000	260,000
Out of pocket expenses	20,000	25,000
	320,000	285,000

	2012 Rupees	2011 Rupees
28 OTHER OPERATING EXPENSES		
Workers' (Profit) Participation Fund	484,086	91,289
Workers' Welfare Fund	-	34,690
Exchange loss	69,200	267,250
	553,286	393,229

	2012 Rupees	2011 Rupees
29 OTHER OPERATING INCOME		
Income from financial assets:		
Profit on bank deposits	18,987	18,605
Income from non-financial assets:		
Sale of scrap	1,400,041	1,038,470
Profit on disposal of fixed assets	425,892	367,716
Exchange gain	33,097	-
	1,878,017	1,424,791
30 FINANCE COST		
Markup on:		
Lease finance	321,006	844,093
Short term borrowings	3,865,332	3,425,908
Interest on workers' (profit) participation fund	9,585	10,305
Bank charges and commission	679,532	568,820
	4,875,455	4,849,126

	No. of Shares 2012	 2011
31 EARNING / (LOSS) PER SHARE		
Issued, subscribed and paid up shares	1,110,941	1,110,941
Profit /(Loss) for the year (Rs.)	4,167,990	(2,232,525)
Earning per share (Rs.)	3.75	(2.01)

32 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties have been disclosed in the relevant notes to the financial statements.

33 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the chief executive, working directors and executive of the company is as follows:

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2012 Rupees	2011 Rupees	2012 Rupees	2011 Rupees	2012 Rupees	2011 Rupees
Basic salary	1,430,187	811,644	3,472,364	2,434,932	618,182	600,000
Re-imbursable expenses	143,013	81,156	347,236	243,468	61,818	60,000
	1,573,200	892,800	3,819,600	2,678,400	680,000	660,000
	1	1	3	3	1	1

Executives are defined as employees with basic salary exceeding Rs. 500, 000.

The Chief Executive and Directors are also provided with free use of company maintained cars and residential telephones.

34 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest rate risk). Financial risk management is carried out under risk policies established and approved by the Board of Directors. The management administers all aspects of risk management involving currency and interest rate risk, and cash management, in accordance with the risk policy.

The company's exposure to financial risks, the way these risks affect revenues, expenses, assets, liabilities and forecast transactions of the company and the manner in which each of these risks are managed is as follows:

34.1 Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trades debts, advances and deposits, interest accrued, other receivables and margin on letter of guarantee. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2012 Rupees	2011 Rupees
Trade debts	20,826,337	15,741,508
Loans and advances	10,169,125	3,338,287
Interest accrued	9,608	9,226
Margin on letters of guarantee	-	2,250,000
Cash and bank balances	1,616,219	3,800,640
	32,621,289	25,139,661

Geographically there is no concentration of credit risk.

Credit Quality of Financial Assets

Foreign trade debts are secured against confirmed letter of credit. The company has placed funds in financial institutions keeping in view credit ratings. The company assesses the credit quality of the counter parties as satisfactory. The company does not hold any collateral as security against any of its financial assets except foreign debtors.

The aging of trade debts at the reporting date was:

	Gross 2012	Gross 2011
Past due less than one year	20,826,337	15,471,508
Past due over one year but less than three years	-	-
	20,826,337	15,471,508
Cash at banks		
A-1+	812,053	2,327,210
A1+	662,604	1,375,969
A2	6,963	6,463
A-2	70,929	10,402
	1,552,549	3,720,044

Credit Risk Management

In respect of trade receivables, the company does not have significant concentration of credit risk with a single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables balances and individually significant balances, along with collection activities are reported to the Board of Directors on a monthly basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis of confirmed letters of credit. These actions are also reported to the Board on a monthly basis.

34.2 Liquidity Risk

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

	2012			
	Carrying Amount	Contractual Cash Flows	Maturity up to one year	Maturity after one year
	R u p e e s			
Financial Liabilities				
Liabilities against assets subject to finance lease	2,329,437	2,347,376	2,347,376	-
Trade and other payables	56,593,253	56,593,253	56,593,253	-
Mark up accrued	951,693	951,693	951,693	-
	59,874,383	59,892,322	59,892,322	-

	2011			
	Carrying Amount	Contractual Cash Flows	Maturity upto one year	Maturity after one year
	R u p e e s			
Financial Liabilities				
Liabilities against assets subject to finance lease	6,301,189	6,640,134	4,292,758	2,347,376
Trade and other payables	53,318,453	53,318,453	53,318,453	-
Mark up accrued	1,260,082	1,260,082	1,260,082	-
	60,879,724	61,218,669	58,871,293	2,347,376

Liquidity Risk Management

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 monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the company ensures that it has sufficient cash on demand to meet expected operational cash flows, including serving of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. Further, the company has the support of its sponsors in respect of any liquidity shortfalls.

34.3 Market Risk

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 net profit or the fair value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

34.3.1 Currency Risk

The company is exposed to currency risk in respect of export sales, imports and resulting balances that are denominated in a currency other than functional currency. The company's exposure to currency risk as at the reporting date is as follows:

	2012 Rupees	2011 Rupees
Trade debts	-	-
Total exposure	-	-

All foreign currency balances are denominated in USD. Average exchange rate used during the year is Rs.89.94/ USD (2011: Rs.85.04/USD). Spot exchange rate applied for measuring financial assets and liabilities as at the reporting date is Rs. 96.05/USD (2011: Rs86.05/USD respectively.

A ten percent change in foreign currency would have no change on profit (2011: Profit by Rs.261 million). This sensitivity analysis is based on assumption that all variables, with the exception of foreign exchange rates, remain unchanged.

Foreign Currency Risk Management

Foreign currency risk arises mainly due to fluctuation in foreign exchange rates. The company also has transactional currency exposure. Such exposure arises from sales and purchases of certain materials by the company in currencies other than rupees. Approximately 0.43% of the company's sales are denominated in currencies other than rupees while 99.57% of sales are denominated in local currency. In appropriate cases, the management takes out forward contacts to mitigate risk where it is necessary.

34.3.2 Interest Rate Risk

The interest rate profile the company's interest bearing financial instruments as at the reporting date is as follows:

	2012 Rupees	2011 Rupees
Fixed rate instruments:		
Financial assets	-	-
Financial liabilities	2,329,437	5,731,809
Variable rate instruments:		
Financial assets	305,000	305,000
Financial liabilities	-	-

The company is exposed to interest rate risk in respect of its variable rate instruments. A 100 basis points increase in variable interest rates would have increased loss by Rs.814,021(2011: increased loss by Rs.814,021). A 100 basis points decrease in variable interest rate would have had an equal but opposite impact on profit. This sensitivity analysis is based on assumption that all variables, with the exception of interest rates, remain unchanged.

The effective interest / mark-up rates in respect of financial instruments are mentioned in respective notes to the financial statements.

34.4 Capital risk management

The primary objective of the company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital.

The company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policy and processes during the year ended June 30, 2012.

The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt.

During 2012 the company's strategy was to minimize leveraged gearing. The gearing ratios as at June 30, 2012 and 2011 were as follows:

	2012 Rupees	2011 Rupees
Long term loans	125,921,707	97,088,707
Liabilities against assets subject to finance lease	-	2,329,437
Trade and other payable	56,593,253	53,318,453
Accrued interest	951,693	1,260,082
Current portion of long term finance	2,329,437	3,971,752
Short term borrowings	29,411,144	29,456,363
Total debt	215,207,234	187,424,794
Cash and bank balances	1,616,219	3,800,640
Net debt	213,591,015	183,624,154
Share capital	11,109,410	11,109,410
Surplus on revaluation of fixed assets	176,329,091	49,379,091
Reserves	11,137,796	6,969,806
Equity	198,576,297	67,458,307
Capital	412,167,312	251,082,461
Gearing ratio	51.82	73.13

34.5 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.

35 PLANT CAPACITY AND ACTUAL PRODUCTION

	2012	2011
Cloth Processing		
Rated capacity (meters)	57,600,000	57,600,000
Actual processing (meters)	37,744,405	40,944,950
Percentage	**65.53%**	**71.08%**
Embroidery Processing		
Rated capacity (meters)	3,004,800	2,378,800
Actual processing (meters)	2,832,962	2,228,641
Percentage	**94.28%**	**93.69%**
No. of working days	313	313

Under utilization of available capacity is due to different mélange of cloth available for processing and unsustained supply of electricity and suigas.

DATE OF AUTHORISATION FOR ISSUE

36 These financial statements have been authorized for issue by the board of directors of the company on October 07, 2012.

37 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison.

GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

CHIEF EXECUTIVE **DIRECTOR**

SUMMARY OF LAST SIX YEARS FINANCIAL RESULTS

Description	2012	2011	2010	2009	2008	2007	2006
Trading Results							
Turnover	502,965,825	365,110,217	378,580,342	390,774,463	321,137,450	303,087,989	278,335,900
Gross Profit	31,584,767	21,335,044	21,725,148	18,803,528	20,504,613	23,477,175	23,421,113
Operating Profit (Loss)	14,073,103	6,548,925	6,239,964	3,104,406	9,126,498	8,274,297	5,973,887
Profit/(Loss) before taxation	9,197,648	1,699,799	1,827,188	(657,861)	2,982,383	594,245	639,825
Profit/(Loss) after taxation	4,167,990	(2,232,525)	864,642	(3,590,978)	8,355,464	1,279,459	(2,517,526)
Balance Sheet							
Shareholders equity	11,109,410	11,109,410	11,109,410	11,109,410	11,109,410	11,109,410	11,109,410
Unappropriated profit/(loss)	11,137,796	6,969,806	10,313,272	9,448,630	13,039,608	4,684,144	3,404,685
Fangible fixed assets	324,912,958	167,446,255	174,339,259	157,174,921	171,671,822	149,480,205	138,517,937
Significant Ratios:							
Gross Profit %	6.28	5.84	5.74	4.81	6.38	7.75	9.52
Current Ratio	1.06	1.04	1.01	1.21	0.90	0.72	0.82
Earning per share	3.75	(2.01)	0.78	3.23	7.52	1.15	(2.27)

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2012

Number of shareholder	From	To	Shares held Physical	Shares held CDC	Shares held Total
249	1	100	9,496	1,451	10,947
99	101	500	20,408	4,526	24,934
26	501	1,000	16,535	3,499	20,034
14	1,001	5,000	22,607	2,849	25,456
1	5,001	10,000	9,680	-	9,680
2	10,001	15,000	23,225	-	23,225
3	20,001	25,000	75,000	-	75,000
2	40,001	45,000	82,204	-	82,204
1	100,001	105,000	104,198	-	104,198
1	105,001	110,000	107,500	-	107,500
2	110,001	115,000	222,009	-	222,009
2	200,001	205,000	405,754	-	405,754
402			1,098,616	12,325	1,110,941

Categories of Shareholders	Number	Number of Shareholders	Percentage share held
1. Directors, Chief Executives, their spouse and minor children			
i Sh. Faisal Tauheed Puri	1	202,975	18.27
ii Sh. Kashif Tauheed Puri	1	202,779	18.25
iii Sh. Tauheed Ellahi Puri	1	107,500	9.68
iv Mst. Shahida Tauheed	1	115,098	10.36
v Mst. Saima Shahid	1	25,000	2.25
vi Mst. Amna Kamran	1	25,000	2.25
vii Mst. Sadia Kamran	1	25,000	2.25
viii Mst. Samira Faisal	1	111,088	10.00
ix Mst. Tahira Kashif	1	110,921	9.98
x Mr. Yasir Munir	1	2,500	0.23
xi Sh. Mustafa Tauheed	1	40,776	3.67
xii Sh. Mahad Kashif	1	41,428	3.73
Total	12	1,010,065	91
2. Executives	**-**	**-**	-
3. Associated Companies, Undertaking & Related Parties	**-**	**-**	-
4. Investment Corporation of Pakistan	**1**	**900**	0.08
5. Mutual Funds	**-**	**-**	-
6. Banks, NBFC's, DFI's, Takaful, Pension Funds	**-**	**-**	-
7. Modarabas	**-**	**-**	-
8. Insurance Companies	**1**	**20**	0.00
9. Other Companies, Corporate Bodies, Trust etc.	**1**	**1**	0.00
10. General Public	**387**	**99,955**	9.00
GRAND TOTAL	402	1,110,941	100
Shareholders more than 5% shareholding			
i Sh. Faisal Tauheed Puri	1	202,975	18.27
ii Sh. Kashif Tauheed Puri	1	202,779	18.25
iii Sh. Tauheed Ellahi Puri	1	107,500	9.68
iv Mst. Shahida Tauheed	1	115,098	10.36
viii Mst. Samira Faisal	1	111,088	10.00
ix Mst. Tahira Kashif	1	110,921	9.98

FORM OF PROXY

Folio No.

I/WE ______________________________

Of ______________________________

Being a member of The National Silk & Rayon Mills Limited hereby appoint ______________________________

(Name)

Of ______________________________

(Another member of the) failing him ______________________________

(Name)

Of ______________________________

(Another member of the Company) to attend, act and vote for me and on my/our behalf at the 62nd Annual General Meeting of the Company to be held on Wednesday, 31st day of October 2012 at 3.30 p.m. Hospitality Inn (formerly Holiday Inn), 25-26, Egerton Road, Lahore and at any adjournment thereof.

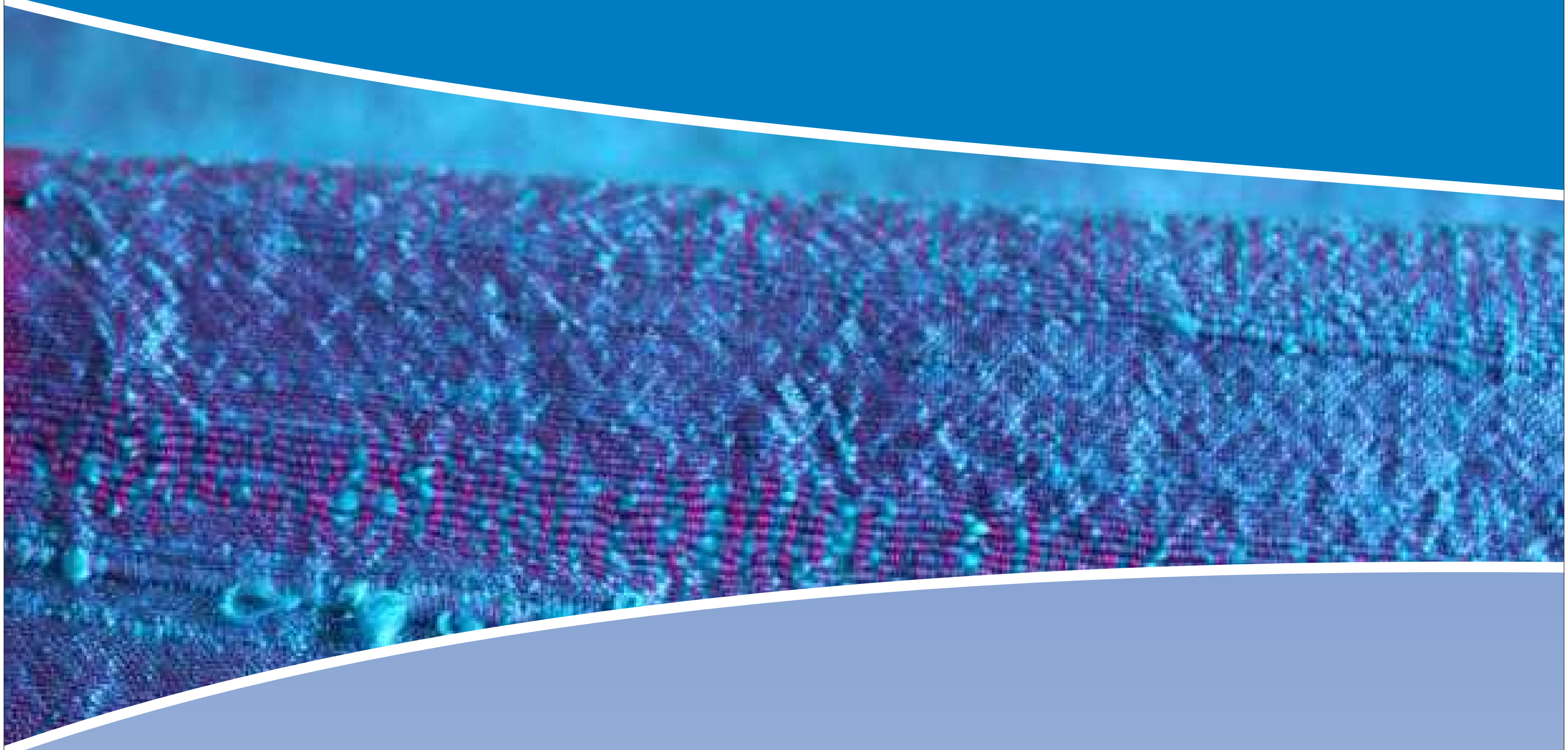
As witness my/our hand(s) this ______________ day of ______________ 2012

Signature on
Revenue Stamp
of Correct Value

(Signature should agree with the specimen
Signature registered with the Company)

Date: ______________

NOTE:
Proxy form must be signed across a correct value Revenue Stamp and it should be deposited in the Registered Office of the company not later than 48 hours before time of holding the meeting.



2012

The National Silk & Rayon Mills Ltd.

Manufacture & Exporter of
Quality Textile Products

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