بسم الله الرحمن الرحيم

Contents

Corporate Information

Board of Directors:

Khawaja Muhammad Masood	Chairman
Khawaja Muhammad Iqbal	Chief Executive Officer
Khawaja Muhammad Ilyas	Director
Khawaja Muhammad Younus	Director
Jalal-ud-Din Roomi	Director
Mrs. Mehr Fatima	Director
Muhammad Muzafar Iqbal	Director

Chief Financial Officer

Muhammad Amin Pal
F.C.A.

Company Secretary

Ghulam Mohayuddin

Auditors

Hameed Chaudhri & Co
Chartered Accountants
H M House, 7-Bank Square,
Lahore.

Stock Exchange Listing

The Mahmood Textile Mills Limited is a listed Company and its shares are traded on Karachi Stock Exchanges in Pakistan.

Bankers

MCB Bank Limited
United Bank Limited
Habib Bank Limited
Allied Bank Limited
Bank Al-Habib Limited
Meezan Bank Limited
National Bank of Pakistan Limited
Bank Alfalah Limited

Mills

Mahmoodabad, Multan Road,
Muzaffargarh.

Masoodabad, D.G. Khan Road,
Muzaffargarh.

Chowk Sarwar Shaheed,
District Layyah.

Registered Office

Mehr Manzil, Lohari Gate, Multan.
Tel.: 061-111-181-181 Fax: 061-4511262
E-mail: info@mahmoodgroup.com

Share Registrar

Hameed Majeed Associates (Pvt.) Ltd.
H M House, 7-Bank Square,
Lahore.

www.mahmoodgroup.com/mtm.html

Vision

To be recognized internationally
and locally as dynamic,
quality conscious
and ever progressive
Textile Product manufacturer
in the Textile Industry
of Pakistan

Mission

Mahmood Group is committed to:

- Be ethical in its practices.
- Excel through continuous improvement by adopting most modernized technology in production.
- Operate through professional Team work.
- Retain our position as leaders and innovators in the Textile Industry.
- Achieve Excellence in the quality of our product.
- Be a part of country's economic development and social Prosperity.

Notice Of Annual General Meeting

Notice is hereby given that 42nd Annual General Meeting of the Company will be held on Monday, 31st October, 2012, at 11.00 A.M., at its Registered Office, Mehr Manzil, O/s Lohari Gate, Multan to transact the following business:

1. To confirm the Minutes of Annual General Meeting held on 31st October, 2011.
2. To receive consider and adopt the Audited Accounts for the year ended 30th June, 2012 together with Director's and Auditor's Reports thereon.
3. To approve payment of Cash Dividend @ 100 % (Rs.10 per ordinary Share of Rs. 10/- each) for the year ended 30th June, 2012 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2012 - 2013 and to fix their remuneration. The present Auditors M/s. Hameed Chaudhri & Company, Chartered Accountants, Lahore being eligible have offered themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

by order of the board of directors

Sd/-
Ghulam Mohayuddin
Company Secretary

Multan.
Date: 06th October, 2012.

Notes:-

i) The Share Transfer Books of the Company will remain Closed from 20th October to 31st October, 2012 (Both days inclusive).

ii) A Member entitled to attend and vote at the meeting may appoint another Member of the Company as a proxy to attend and vote instead of him/her. Proxy Form duly completed should reach the Registered Office of the Company at least 48 hours before the time of Meeting.

iii) Any individual beneficial owner of CDC entitled to attend and vote at this Meeting must bring his/her CNIC or Passport. Representative of Corporate Member should bring the usual documents required for such purpose.

iv) Members are requested to notify immediately any Change in their addresses.

Directors' Report To The Shareholders

**In The Name Of Allah, The Most Beneficent,
The Most Merciful**

The Directors are pleased to welcome you on the 42nd Annual General Meeting and place before you Annual Report along with Audited Financial Statements of the Company comprising Balance Sheet, Profit & Loss Account, Cash Flow Statement and Statement of Changes in Equity for the year ended June 30, 2012. Report also covers comments on financial performance highlighting key areas and business challenges along with corporate social achievements.

Economy Review

Presently the Euro zone crisis remains the biggest threat to global growth in the outlook period. America and China are major players of the world whose economic performance also witnessed slow pace in recent years. Many countries in Euro Zone and China are important trading partners of Pakistan and untoward developments in these countries have substantial negative impact on our export and foreign direct investment into Pakistan.

Like other countries of world, Pakistan faced serious economic and Political Instabilities. During the year under review non-availability of gas and electricity to industry, persistent increase in international oil prices and substantial increase in public debt also affected Pakistan economy. Moreover poor law and order scenario in the country is further aggravating the situation. Accordingly, economic performance of Pakistan in terms of GDP was lowered down to 3.67% against revised targeted growth of 4.2%.

Industry Review

Pakistan's textile industry is going through different challenges and threats, problems are continuously multiplying and no roadmap has been built which can help to run this industry smoothly and effectively.

It is needless to mention that textile industry is contributing overwhelmingly towards economic fronts of the country; about 60% of total foreign exchange is earned through this industry. It is Governments duty to provide utilities, basic infrastructure and good environment so that textile industry can perform at optimum level.

The existing utility mechanism is hurting the industry all the times in many ways like severe load-shedding, continuous increase in prices of utility, failing to give priority to this industry in load shedding management and poor distribution networks etc. Other competitive exporting countries are providing utility to exporters at nominal prices but in Pakistan utility is becoming costly.

Due to such dramatic situation the capability of competitiveness of this industry in international market is affected badly. In addition, double digit inflation and high cost of financing has seriously affected the growth in the textile industry. Presently many textile units are working in two shifts instead of three shifts due to electricity/gas shut-downs, which have deprived numerous people of their jobs.

It is submitted with great concern that due to these circumstances and unfriendly business environment businessmen are thinking of investing in countries with better situation with regards to law and order and other facilities. Having said that the energy situation overall in Pakistan's neighboring countries is not that favorable either but because of better and intelligent government policies the industries, specially textiles, remain in a much better condition. This year the Pakistan government overall has been better as compared to the previous year in understanding this concern and giving preference to textile industry but still the situation keeps getting worse.

However measures to minimize energy and gas shutdowns are also strongly needed to boost the sector and most importantly more new investment to generate employment, a dire need of this country.

Business Review

Mahmood textile Mills Ltd is a Company listed on Karachi Stock Exchange with operating capacity of 104,976 installed spindles, 100 installed looms and 9 generators with power generation capacity of 19 Mega Watts. During the year textile exports of Pakistan reduced by 10.38 %, which also impacted volume of business of the company along with profit margin. However we sustained in highly competitive international market and managed overall business affairs positively. The 1st Quarter of the year was tough period for textile industry, the prices of yarn suddenly decreased manifold, which created difficulty for survival of textile industry. A substantial hit was taken for cotton imported at higher prices but management decided to honour the contracts as what goes around comes around.

Accordingly profit margin of current year declined significantly. However Board of Directors took it as a challenge, worked on the product mix and continued its efforts towards achieving satisfactory results for the year by exploring new market opportunities around the globe.

Objective of management is to provide quality products to customers and explore new markets to promote/expand sales of the Company through good governance and foster a sound and dynamic team, so as to achieve optimum prices of products of the Company for sustainable and equitable growth and prosperity of the Company. Major portion of export of the Company is being done through China, Japan, Turkey, Europe and management does its planning keeping in view the future economy moves of such countries, and overall consumption of textile products around the world, to accomplish objectives successfully.

Resource Management

The Company's objectives when managing resources are to safeguard and utilize the Company's assets in the best way in order to provide safer returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. According to the financial policy substantial portion of profit for the year is transferred to general reserves and retained earnings so that company possess sound financial position to meet any adverse situation.

The financial parameters are regularly reviewed to comply with prudential regulations and standard financial ratios. The company is earning satisfactory profit every year and possesses strong financial stability in respect of Equity and liquidity position.

During the year our Executives have attended various conferences on energy savings and shaping of the world's cotton industry, whose implementation measures are in process.

Enterprise Resource Planning

The company is using tailor made ERP Software and during the year started implementation of Production module in the spinning and further in weaving, this will help management have a much better reporting and control on production.

Risk Management

On continuous basis the Company analyses current and future risks be it operational or financial and updates strategies to mitigate these risks.

Financial risk may include foreign currency risk (which Pakistan expected to have 8% to 10% devaluation every year), Interest rate risk, credit risk, liquidity risk or other price risk. These risks are reviewed by Finance Executives having strong knowledge base of Financial Market and who further get help and opinion of professional sitting in the market and feeling the pulse of it.

Depending upon magnitude of occurrence, these financial risks are being well managed by the Company by using risk management tools like Forward Exchange Contracts to cover foreign currency risk and Swaps contracts to manage interest rate risks etc.

Operational risk is the risk that is not inherent in financial, systematic or market-wide risk which may arise from the people, systems and processes failures and these risks are also being reviewed and managed as per policies devised by Board of Directors for management of such risks.

Financial and Operating Results Highlights

With the blessing and grace of ALMIGHTY ALLAH the Company during the year earned net profit after tax of Rs. 474.653 Millions for the year ended 30 June 2012 against Rs. 1,122.77 Millions net profit after tax for the year ended 30 June 2011.

Earning per share decreased to Rs. 31.64 in the current year from Rs. 74.85 earned in the previous year. The reasons for decrease in profit have been stated in the aforementioned paras.

The operating results along with appropriations are summarized as under:-

Description	For the Year ended June 30, 2012	June 30, 2011
	.... Rupees	
Local Sales - Net	2,675,387,417	2,802,379,474
Exports - Net	11,470,146,243	12,295,957,778
Total Sales	14,145,533,660	15,098,337,252
Gross Profit	1,656,421,510	2,227,526,901
Profit before tax	632,675,377	1,275,196,405
Profit after taxation	474,653,358	1,122,773,617
Unappropriated profit B/F	3,065,369,362	2,092,595,745
Proposed cash dividends Rs.10 per share (2011 @10 per share)	(150,000,000)	(150,000,000)
Balance retained earning	3,390,022,720	3,065,369,362
Earning per share	31.64	74.85

Capital Investment

It is a part of Company's strategic policy to review technical aspects regularly, we emphasize to run our plant with most modern techniques, BMR and expansion is made to Cater the need of our valued customers and to get quality production in economical way. This year Company has made investment of Rs. 331.43 million to upgrade existing Plant and Machinery of Spinning business.

Human Excellence

Human resource management is an important management unit being part of the organization strategy which we believe plays a vital role in organizational success. Due consideration is given by the company to Human Assets. The Company provides friendly working environment, best salary structure, incentives and benefits to employees. Hence employee turnover is very low in our Organization. Health and safety policies are also regularly reviewed and updated by the Company for safe working of employees.

We stand by the core ethical and moral values and therefore we do not discriminate on the basis of religion, race, sex or disability in the process of recruitment, training and career development. Online job portal option has been activated on official website of the company which enhances easy access for the right candidates to apply. All employees on regular basis are made to attend training session both in house and out sourced which not only increases their capabilities but also refreshes them.

Corporate Social Responsibility

We are fully committed in helping the deserving people for education and social uplift. Mahmood Textile Mills ltd considers its moral duty to invest and work for the betterment of the community and the environment in which it is growing.

During the year, Company donated Millions rupees to different charitable Organizations and Trusts.

The company is in the process of constructing a school within the premises of the factory area. This school will be able to occupy 300 children and negotiations have already been finalized with a well-known organization to run this school with best quality education.

For the community development the rural area where the mills are located the company is running almost 3 schools and planning to increase it further.

Dividend Payaout

According to Dividend pay out strategy the management wish to pay good return to the shareholders of the Company keeping in view profitability for the year. Board has recommended to pay cash dividend @ Rs. 10 per share this year, which will be put up in the Annual General Meeting for final approval.

Future Outlook

The cotton production in Pakistan is expected to be 15-20% more than last year and Indian crop is expected to be less by 7-8%. China has enough reserves to fill in any drastic gap in demand and supply and US crop is expected to be lesser than last year.

Pima crop is expected to be 7-8% less than last year but over all long staple cotton in the world should be more or less the same.

Based on above facts and experience of sale trends in last few years and the predictable yet range bound fluctuation of NY cotton futures, this year seems to be fairly stable in terms of pricing, quantity and margins. The cotton pricing for the new season is still ranging in Pakistan at Rs 5500/maund with 5% deviation, similarly yarn and fabric also remain stable but with constant margins. The imported cotton which is about 7% of total consumption for now is targeted to go upto 15% with the BMR expected / done in the year 2012-13. Overall the company having adequate resources is prepared for any ups and downs.

Pattern of Shareholding

Pattern of share holding is annexed and details have been submitted according to the requirement of Code of Corporate, Governance and Section 236 of the Companies Ordinance 1984.

Auditors

The present Auditors M/S Hameed Chaudhri & Co, Chartered Accountants retire and being eligible offers them for reappointment for the year ending June 30, 2013.

Compliance With The Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its listing Rules, relevant for the year ended 30th June 2012 have been duly complied with. A statement to this effect is annexed with the report.

The various information and statements as required by the Code are given below:-

a) The Company has maintained proper books of accounts for the year ended June 30, 2012.

b) Financial statement prepared by the management of the Company present fairly It's state of affairs, the results of its operations, cash flow and changes in equity.

c) The board of directors exercised its powers and carried out its fiduciary duties with a sense of objective judgment and independence in the best interests of the company.

d) All significant issues and significant matters including budgets, annual business plan, cash flow projections, internal audit reports, quarterly financial statements etc. reported during the year were keenly reviewed and Board of Directors successfully implemented all corrective measures.

e) Appropriate accounting policies have consistently been applied in preparation of financial statement.

f) International Accounting 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 and monitored. The process of review will continue and any weaknesses in control will be overcome.

g) The company is confident to continue as a progressive concern.

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

i) Key financial data for last six years is annexed.

j) There are no outstanding statutory payments due on account of taxes, duties, and charges except for those discussed in the financial statements.

k) During the year, there is no trade reported in the shares of the company, carried out by Directors, CEO, and CFO. Company Secretary and their spouses and minor children.

l) Audit Committee has been established and is working satisfactorily.

m) The requirements of code of corporate governance 2012 relating to number of executive , non executive and independent directors will be met in next election of board which will be held in 2014.

Acknowledgment

At the end the Directors wish to place on record their sincere appreciations for the Company's employees at all levels for their dedicated efforts and efficiency. They also wish to put on record their thanks for the co-operation and support extended by the shareholders, the Company's banks, Customers and Suppliers of the Company and hope their wholehearted support will continue in future with the same spirit and zeal.

For and on behalf of the board

Sd/-
(Khawaja Muhammad Masood)

Chairman

Multan

Dated: 05 October, 2012

Balance Sheet - Six Years Horizontal Analysis

	2012		2011		2010		2009		2008		2007	
ASSETS	Rupees	%age	Rupees	%age	Rupees	%age	Rupees	%age	Rupees	%age	Rupees	%age
Non-current assets												
Property, plant and equipment	2,425,654,697	105.57%	2,297,580,329	129.51%	1,774,030,933	108.68%	1,632,292,921	92.96%	1,755,924,188	101.16%	1,735,708,078	100.00%
Long term investments	921,086,939	109.82%	838,716,214	326.78%	256,658,405	75.85%	338,387,900	123.90%	273,105,921	108.05%	252,768,148	100.00%
Deposit for shares	-	0.00%	-	100.00%	302,500,000	100.00%	-	0.00%	-	0.00%	-	100.00%
Long term deposits	44,213,191	104.51%	42,304,359	653.03%	6,478,119	100.00%	6,478,119	167.56%	3,866,043	99.36%	3,891,043	100.00%
Long term loan	-	0.00%	-	100.00%	2,100,000	100.00%	-	0.00%	-	0.00%	-	100.00%
	3,390,954,827	106.68%	3,178,600,902	135.74%	2,341,767,457	118.44%	1,977,158,940	97.26%	2,032,896,152	102.03%	1,992,367,269	100.00%
Current assets												
Stores, spares and loose tools	139,743,809	107.30%	130,236,873	117.07%	111,245,589	95.55%	116,426,182	70.07%	166,162,912	163.16%	101,838,606	100.00%
Stock-in-trade	2,244,874,684	90.93%	2,468,738,851	150.30%	1,642,559,568	113.77%	1,443,806,234	87.66%	1,646,958,926	145.73%	1,130,147,435	100.00%
Trade debts	693,220,778	114.20%	607,042,675	144.35%	420,537,757	108.50%	387,579,261	266.69%	145,330,859	149.46%	97,238,436	100.00%
Short term Investments	-	0.00%	-	100.00%	269,407,993	102.72%	262,280,190	153.90%	170,420,643	100.00%	-	100.00%
Loans and advances	132,340,944	181.00%	73,115,962	203.58%	35,915,979	66.77%	53,794,147	55.29%	97,294,991	33.49%	290,499,002	100.00%
Other receivables	153,642,441	140.21%	109,581,603	121.75%	90,002,216	84.44%	106,585,076	189.39%	56,278,559	73.18%	76,907,185	100.00%
Tax refunds due from the Governmen	193,224,817	120.66%	160,142,904	182.14%	87,922,613	142.94%	61,511,567	196.21%	31,350,252	296.63%	10,568,982	100.00%
Cash and bank balances	9,118,046	78.90%	11,556,330	75.24%	15,358,305	166.46%	9,226,439	121.22%	7,611,631	22.18%	34,315,247	100.00%
	3,566,165,519	100.16%	3,560,415,198	133.20%	2,672,950,020	109.49%	2,441,209,096	105.16%	2,321,408,773	133.30%	1,741,514,893	100.00%
Total assets	6,957,120,346	103.24%	6,739,016,100	134.38%	5,014,717,477	113.50%	4,418,368,036	101.47%	4,354,304,925	116.62%	3,733,882,162	100.00%
EQUITY AND LIABILITIES												
Capital and reserves												
Authorised capital												
30,000,000 ordinary shares of Rs.10 each	300,000,000		300,000,000		300,000,000		300,000,000		300,000,000		300,000,000	
Issued, subscribed and paid-up capital	150,000,000	100.00%	150,000,000	100.00%	150,000,000	150.23%	99,849,890	100.00%	99,849,890	100.00%	99,849,890	100.00%
Capital reserve	7,120,600	100.00%	7,120,600	100.00%	7,120,600	100.00%	7,120,600	100.00%	7,120,600	100.00%	7,120,600	100.00%
Unappropriated profit	3,450,677,720	110.39%	3,126,024,362	149.39%	2,092,595,745	130.42%	1,604,486,021	101.92%	1,574,270,731	99.23%	1,586,563,478	100.00%
	3,607,798,320	109.89%	3,283,144,962	145.94%	2,249,716,345	131.45%	1,711,456,511	101.80%	1,681,241,221	99.27%	1,693,533,968	100.00%
Liabilities												
Non-current liabilities												
Long term financing	829,929,547	84.10%	986,893,077	143.32%	688,597,010	115.72%	595,030,192	90.70%	656,022,181	109.04%	601,618,507	100.00%
Deferred taxation	115,243,874	100.00%	115,243,874	95.58%	120,573,000	86.29%	139,723,932	150.99%	92,536,734	145.74%	63,496,387	100.00%
	945,173,421	85.76%	1,102,136,951	136.21%	809,170,010	110.13%	734,754,124	98.16%	748,558,915	112.55%	665,114,894	100.00%
Current liabilities												
Trade and other payables	865,993,322	113.53%	762,792,390	221.18%	344,875,039	136.01%	253,561,948	144.29%	175,725,155	92.27%	190,449,262	100.00%
Accrued mark-up	82,056,308	90.08%	91,089,983	146.09%	62,353,293	67.37%	92,557,299	215.30%	42,989,299	161.07%	26,689,180	100.00%
Short term borrowings	1,041,514,579	93.64%	1,112,301,714	85.62%	1,299,103,549	87.07%	1,492,049,444	96.27%	1,549,880,031	150.36%	1,030,769,598	100.00%
Current maturity of long term financing	266,584,396	115.63%	230,550,100	140.15%	164,499,241	164.01%	100,297,408	78.55%	127,693,166	133.59%	95,583,307	100.00%
Taxation	148,000,000	94.27%	157,000,000	184.71%	85,000,000	252.29%	33,691,302	119.40%	28,217,138	69.52%	40,590,905	100.00%
	2,404,148,605	102.14%	2,353,734,187	120.34%	1,955,831,122	99.17%	1,972,157,401	102.48%	1,924,504,789	139.05%	1,384,082,252	100.00%
Total liabilities	3,349,322,026	96.92%	3,455,871,138	124.99%	2,765,001,132	102.15%	2,706,911,525	101.27%	2,673,063,704	130.44%	2,049,197,146	100.00%
Total equity and liabilities	6,957,120,346	103.24%	6,739,016,100	134.38%	5,014,717,477	113.50%	4,418,368,036	101.47%	4,354,304,925	116.34%	3,742,731,114	100%

Balance Sheet - Six Years Vertical Analysis

	2012		2011		2010		2009		2008		2007	
ASSETS	Rupees	%age	Rupees	%age	Rupees	%age	Rupees	%age	Rupees	%age	Rupees	%age
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Long term investments	921,086,939	13.24%	838,716,214	12.45%	256,658,405	5%	338,387,900	7.66%	273,105,921	6.27%	252,768,148	6.77%
Deposit for shares	-	0.00%	-	0.00%	302,500,000	6%	-	0.00%	-	0.00%	-	0.00%
Long term deposits	44,213,191	0.64%	42,304,359	0.63%	6,478,119	0%	6,478,119	0.15%	3,866,043	0.09%	3,891,043	0.10%
Long term loan	-	0.00%	-	0.00%	2,100,000	0%	-	0.00%	-	0.00%	-	0.00%
	3,390,954,827	48.74%	3,178,600,902	47.17%	2,341,767,457	47%	1,977,158,940	44.75%	2,032,896,152	46.69%	1,992,367,269	53.36%
Current assets												
Stores, spares and loose tools	139,743,809	2.01%	130,236,873	1.93%	111,245,589	2%	116,426,182	2.64%	166,162,912	3.82%	101,838,606	2.73%
Stock-in-trade	2,244,874,684	32.27%	2,468,738,851	36.63%	1,642,559,568	33%	1,443,806,234	32.68%	1,646,958,926	37.82%	1,130,147,435	30.27%
Trade debts	693,220,778	9.96%	607,042,675	9.01%	420,537,757	8%	387,579,261	8.77%	145,330,859	3.34%	97,238,436	2.60%
Short term Investments	-	0.00%	-	0.00%	269,407,993	5%	262,280,190	5.94%	170,420,643	3.91%		0.00%
Loans and advances	132,340,944	1.90%	73,115,962	1.08%	35,915,979	1%	53,794,147	1.22%	97,294,991	2.23%	290,499,002	7.78%
Other receivables	153,642,441	2.21%	109,581,603	1.63%	90,002,216	2%	106,585,076	2.41%	56,278,559	1.29%	76,907,185	2.06%
Tax refunds due from the Government	193,224,817	2.78%	160,142,904	2.38%	87,922,613	2%	61,511,567	1.39%	31,350,252	0.72%	10,568,982	0.28%
Cash and bank balances	9,118,046	0.13%	11,556,330	0.17%	15,358,305	0%	9,226,439	0.21%	7,611,631	0.17%	34,315,247	0.92%
	3,566,165,519	51.26%	3,560,415,198	52.83%	2,672,950,020	53%	2,441,209,096	55.25%	2,321,408,773	53.31%	1,741,514,893	46.64%
Total assets	6,957,120,346	100%	6,739,016,100	100%	5,014,717,477	100%	4,418,368,036	100%	4,354,304,925	100%	3,733,882,162	100%
EQUITY AND LIABILITIES												
Capital and reserves												
Authorised capital												
30,000,000 ordinary shares of Rs.10 each	300,000,000		300,000,000		300,000,000		300,000,000		300,000,000		300,000,000	
Issued, subscribed and paid-up capital	150,000,000	2.16%	150,000,000	2.23%	150,000,000	2.99%	99,849,890	2.26%	99,849,890	2.29%	99,849,890	2.67%
Capital reserve	7,120,600	0.10%	7,120,600	0.11%	7,120,600	0.14%	7,120,600	0.16%	7,120,600	0.16%	7,120,600	0.19%
Unappropriated profit	3,450,677,720	49.60%	3,126,024,362	46.39%	2,092,595,745	41.73%	1,604,486,021	36.31%	1,574,270,731	36.15%	1,586,563,478	42.39%
	3,607,798,320	51.86%	3,283,144,962	48.72%	2,249,716,345	44.86%	1,711,456,511	38.74%	1,681,241,221	38.61%	1,693,533,968	45.25%
Liabilities												
Non-current liabilities												
Long term financing	829,929,547	11.93%	986,893,077	14.64%	688,597,010	13.73%	595,030,192	13.47%	656,022,181	15.07%	601,618,507	16.07%
Deferred taxation	115,243,874	1.66%	115,243,874	1.71%	120,573,000	2.40%	139,723,932	3.16%	92,536,734	2.13%	63,496,387	1.70%
	945,173,421	13.59%	1,102,136,951	16.35%	809,170,010	16.14%	734,754,124	16.63%	748,558,915	17.19%	665,114,894	17.77%
Current liabilities												
Trade and other payables	865,993,322	12.45%	762,792,390	11.32%	344,875,039	6.88%	253,561,948	5.74%	175,725,155	4.04%	190,449,262	5.09%
Accrued mark-up	82,056,308	1.18%	91,089,983	1.35%	62,353,293	1.24%	92,557,299	2.09%	42,989,299	0.99%	26,689,180	0.71%
Short term borrowings	1,041,514,579	14.97%	1,112,301,714	16.51%	1,299,103,549	25.91%	1,492,049,444	33.77%	1,549,880,031	35.59%	1,030,769,598	27.54%
Current maturity of long term financing	266,584,396	3.83%	230,550,100	3.42%	164,499,241	3.28%	100,297,408	2.27%	127,693,166	2.93%	95,583,307	2.55%
Taxation	148,000,000	2.13%	157,000,000	2.33%	85,000,000	1.70%	33,691,302	0.76%	28,217,138	0.65%	40,590,905	1.08%
	2,404,148,605	34.56%	2,353,734,187	34.93%	1,955,831,122	39.00%	1,972,157,401	44.64%	1,924,504,789	44.20%	1,384,082,252	36.98%
Total liabilities	3,349,322,026	48.14%	3,455,871,138	51.28%	2,765,001,132	55.14%	2,706,911,525	61.26%	2,673,063,704	61.39%	2,049,197,146	54.75%
Total equity and liabilities	6,957,120,346	100%	6,739,016,100	100%	5,014,717,477	100%	4,418,368,036	100%	4,354,304,925	100%	3,742,731,114	100%

Profit & Loss Account - Six Years Vertical Analysis

	2012		2011		2010		2009		2008		2007	
	Rupees	%age	Rupees	%age	Rupees	%age	Rupees	%age	Rupees	%age	Rupees	%age
Sales - Net	14,145,533,660	100%	15,133,883,247	100%	8,135,551,381	100%	6,811,267,831	100%	5,073,168,667	100%	4,583,350,069	100%
Cost of Sales	12,489,112,150	88.29%	12,870,810,351	85.05%	6,628,423,205	81.47%	5,727,024,986	84.08%	4,478,253,669	88.27%	4,038,046,572	88.10%
Gross Profit	1,656,421,510	11.71%	2,263,072,896	14.95%	1,507,128,176	18.53%	1,084,242,845	15.92%	594,914,998	11.73%	545,303,497	11.90%
Distribution Cost	423,838,781	3.00%	446,985,160	2.95%	269,380,932	3.31%	227,972,445	3.35%	178,321,913	3.52%	169,029,403	3.69%
Administrative Expenses	190,157,124	1.34%	152,472,118	1.01%	118,605,811	1.46%	80,472,843	1.18%	62,222,756	1.23%	54,443,705	1.19%
Other Operating Expenses	30,708,551	0.22%	82,436,033	0.54%	190,141,321	2.34%	276,936,277	4.07%	92,381,565	1.82%	21,940,857	0.48%
Other Operating Income	(218,662)	0.002%	(23,263,965)	-0.15%	(4,129,294)	-0.05%	(23,681,740)	-0.35%	(23,315,928)	-0.46%	(110,785,408)	-2.42%
	644,485,794	4.56%	658,629,346	4.35%	573,998,770	7.06%	561,699,825	8.25%	309,610,306	6.10%	134,628,557	2.94%
Profit from Operations	1,011,935,716	7.15%	1,604,443,550	10.60%	933,129,406	11.47%	522,543,020	7.67%	285,304,692	5.62%	410,674,940	8.96%
Finance Cost	471,631,064	3.33%	482,379,954	3.19%	340,466,887	4.18%	381,249,583	5.60%	221,160,302	4.36%	190,691,630	4.16%
	540,304,652	3.82%	1,122,063,596	7.41%	592,662,519	7.28%	141,293,437	2.07%	64,144,390	1.26%	219,983,310	4.80%
Share of Profit of Associates	92,370,725	0.65%	153,132,809	1.01%	53,377,190	0.66%	48,910,844	0.72%	18,570,982	0.37%	27,337,812	0.60%
Profit before Taxation	632,675,377	4.47%	1,275,196,405	8.43%	646,039,709	7.94%	190,204,281	2.79%	82,715,372	1.63%	247,321,122	5.40%
Taxation	158,022,019	1.12%	151,767,788	1.00%	67,839,919	0.83%	87,360,300	1.28%	55,068,163	1.09%	70,478,561	1.54%
Profit after Taxation	474,653,358	3.36%	1,123,428,617	7.42%	578,199,790	7.11%	102,843,981	1.51%	27,647,209	0.54%	176,842,561	3.86%

Profit & Loss Account - Six Years Horizontal Analysis

	2012		2011		2010		2009		2008		2007	
	Rupees	%age	Rupees	%age	Rupees	%age	Rupees	%age	Rupees	%age	Rupees	%age
Sales - Net	14,145,533,660	93%	15,133,883,247	186%	8,135,551,381	119%	6,811,267,831	134%	5,073,168,667	111%	4,583,350,069	100%
Cost of Sales	12,489,112,150	97%	12,870,810,351	194%	6,628,423,205	116%	5,727,024,986	128%	4,478,253,669	111%	4,038,046,572	100%
Gross Profit	1,656,421,510	73%	2,263,072,896	150%	1,507,128,176	139%	1,084,242,845	182%	594,914,998	109%	545,303,497	100%
Distribution Cost	423,838,781	95%	446,985,160	166%	269,380,932	118%	227,972,445	128%	178,321,913	105%	169,029,403	100%
Administrative Expenses	190,157,124	125%	152,472,118	129%	118,605,811	147%	80,472,843	129%	62,222,756	114%	54,443,705	100%
Other Operating Expenses	30,708,551	37%	82,436,033	43%	190,141,321	69%	276,936,277	300%	92,381,565	421%	21,940,857	100%
Other Operating Income	(218,662)	1%	(23,263,965)	563%	(4,129,294)	17%	(23,681,740)	102%	(23,315,928)	21%	(110,785,408)	100%
	644,485,794	98%	658,629,346	115%	573,998,770	102%	561,699,825	181%	309,610,306	230%	134,628,557	100%
Profit from Operations	1,011,935,716	63%	1,604,443,550	172%	933,129,406	179%	522,543,020	183%	285,304,692	69%	410,674,940	100%
Finance Cost	471,631,064	98%	482,379,954	142%	340,466,887	89%	381,249,583	172%	221,160,302	116%	190,691,630	100%
	540,304,652	48%	1,122,063,596	189%	592,662,519	419%	141,293,437	220%	64,144,390	29%	219,983,310	100%
Share of Profit of Associates	92,370,725	60%	153,132,809	287%	53,377,190	109%	48,910,844	263%	18,570,982	68%	27,337,812	100%
Profit before Taxation	632,675,377	50%	1,275,196,405	197%	646,039,709	340%	190,204,281	230%	82,715,372	33%	247,321,122	100%
Taxation	158,022,019	104%	151,767,788	224%	67,839,919	78%	87,360,300	159%	55,068,163	78%	70,478,561	100%
Profit after Taxation	474,653,358	42%	1,123,428,617	194%	578,199,790	562%	102,843,981	372%	27,647,209	16%	176,842,561	100%

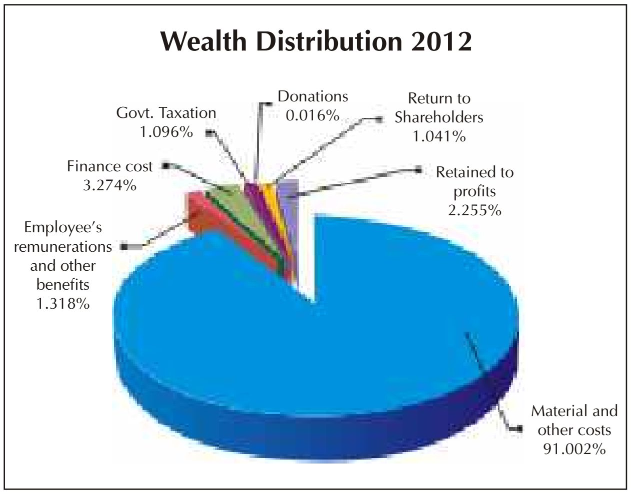
Cash Flows Six Years Summary

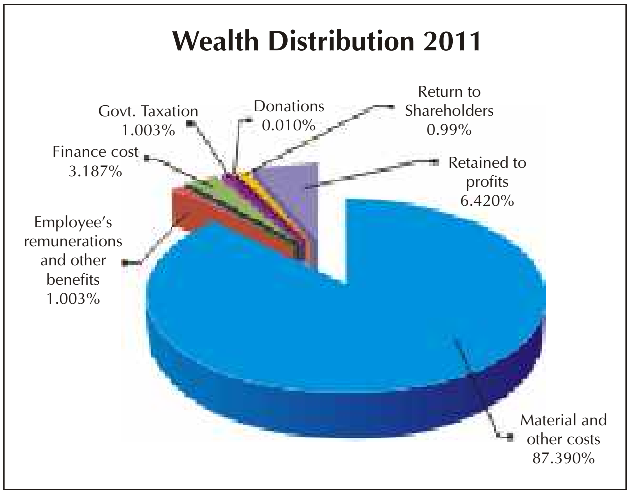
	2012	2011	2010	2009	2008	2007
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Cash & cash equivalents at beginning of the year	11,556,330	15,358,305	9,226,439	7,611,631	8,848,952	7,584,259
Net cash inflow / (outflow) from operating activities	1,181,977,772	969,736,732	1,058,327,207	572,818,825	(160,036,676)	209,706,592
Net cash inflow / (outflow) from investing activities	(362,229,678)	(607,533,372)	(606,476,315)	(78,329,642)	(202,173,281)	(324,469,503)
Net cash (outflow) inflow from financing activities	(822,186,378)	(366,005,335)	(445,719,026)	(492,874,375)	360,972,636	116,027,604
Net change in cash and cash equivalents	(2,438,284)	(3,801,975)	6,131,866	1,614,808	(1,237,321)	1,264,693
Cash & cash equivalents at end of the year	9,118,046	11,556,330	15,358,305	9,226,439	7,611,631	8,848,952

Statement of Value Addition

Wealth Generated	2012		2011	
	%age	Rs. in Million	%age	Rs. in Million
Export Sales	18.442%	11,740.00	81.359%	12,331.00
Local Sales	18.55%	2,675.00	18.487%	2,802.00
Other Income	0.002%	0.22	0.153%	23.26
	100%	**14,415.22**	**100%**	**15,156.26**

Wealth Distributed				
Material and other cost	91.002%	12,758.95	87.390%	12,893.76
Employees/worker's remuneration & other benefits	1.318%	549.00	1.003%	503.00
Finance cost	3.274%	472.00	3.187%	483.00
Govt. Taxation	1.096%	158.00	1.003%	152.00
Donations	0.016%	2.27	0.010%	1.50
Return to shareholders	1.041%	150.00	0.990%	150.00
Retained to profits	2.255%	325.00	6.420%	973.00
	100%	**14,415.22**	**100%**	**15,156.26**





Financial Ratios Analysis

	2012	2011	2010	2009	2008	2007
Profitability Ratios						
Return on Equity-%	13.16%	34%	26%	6%	2%	10%
Return on Capital employed-%	24%	40%	32%	23%	13%	19%
Gross Profit ratio-%	12%	15%	19%	16%	12%	12%
Net Profit to Sales-%	3.36%	7%	7%	2%	1%	4%
EBITDA Margin to Sales-%	9.10%	13%	14%	11%	9%	13%
Operating leverage ratio-Times	9.14	0.98	2.63	2.08	6.70	2
Liquidity Ratios						
Current ratio	1.48	1.51	1.37	1.24	1.21	1.26
Quick / Acid test ratio	0.49	0.41	0.47	0.45	0.26	0.37
Cash to current Liabilities	0.004	0.005	0.008	0.005	0.004	0.006
Cash flow from Operations to Sales	0.094	0.119	0.139	0.090	-0.025	0.055
Activity / Turnover Ratios						
Inventory turnover ratio	5.01	5.91	4	3.40	2.94	3.56
No. of Days in Inventory	73	62	91	107	124	103
Debtor turnover ratio	22	5	4	12	19	19
No. of Days in Receivables	17	78	87	31	19	19
Creditor turnover ratio	15.34	3.51	2.73	2.73	1.70	1.84
No. of Days in Creditors	24	104	134	133	215	198
Total Assets turnover ratio-Times	2.03	2.24	1.62	1.54	1.17	1.22
Fixed Assets turnover ratio-Times	5.83	6.57	4.59	4.17	2.89	2.64
Operating Cycle-Days	66	36	44	5	-72	-77
Investment / Market Ratios						
Earnings per share (EPS) in Rupees	31.64	74.9	38.55	10.3	2.77	17.71
Price Earnings ratio	3.22	0.87	1.27	6.99	23.44	5.87
Price to Book ratio	0.22	0.14	0.15	0.16	0.28	0.28
Dividend Yield ratio	0.10	0.08	0.08	0.08	0.02	0.04
Dividend Payout ratio	32%	13%	16%	39%	54%	23%
Dividend Cover ratio-times	3.16	12.48	9.64	2.58	0.69	4.43
Break-up Value per share - Rupees	241	219	150	171	163	168
Net assets per share	241	219	150	171	163	170
Market value per share	104	123	72	49	65	102
Capital Structure Ratios						
Financial leverage ratio - Times	0.59	0.71	0.96	1.28	1.44	1.02
Debt to Equity ratio	19:81	23:77	23:77	26:74	29:71	26:64
Interest Cover ratio	2.22	3.55	2.78	1.97	3.05	19
Weighted average cost of debt	13%	9%	7%	8%	8%	9%

REMARKS:

Profitability Ratios

Overall profitability of the company has declined in current year mainly due to sudden deline in cotton prices internationally and low working due to non availability of electricity and gas.

Liquidity Ratios

Company remained successful in maintaining liquidity ratios during the year which showns that company can meet any short-term obligation strongly.

Activity Ratios

Activity ratios were also strongly monitored by the management and as result of this average receivable collection period was improved.

Investment/Market Ratios

Inspite of significant decline in profit for the year, the company announced same dividend @ 10 per share as of last year in line with shareholders' expectations.

Capital Structure Ratios

Debt equity and Financial leverage was also improved during the year as result of successful implementation of financial policy regarding capital stucture maintenance by the Board of Directors

Profiles of the Directors

Mr. Khawaja Muhammad Masood
Chairman

He is founder of Mahmood Textile Mills Ltd which started its operations in 1971 and today is one of the Largest exporters of yarn and fabric in Pakistan with operating capacity of 104,976 spindles and 100 looms as reported in Annual Report 2011.

Worthy Chairman is actively involved in giving overall directions and chairing board meetings held periodically so that directors can discharge their responsibility to control the company's overall affairs, strategy and policy. The Chairman finally give approval of all strategic decisions regarding Company's expansion, modernization / Innovation and investment in diversified sectors. He also travelled abroad for our business and as well as with several Govt. Delegations. He also had been president of Bahawalpur Chamber of Commerce and member of Federation of Pakistan Chamber of Commerce & Industry.

Mr. Khawaja Muhammad Iqbal
Chief Executive Officer

He as a Chief Executive Officer is actively involved in managing day to day operations of Mahmood Textile Mills Ltd under supervision of Worthy Chairman. He is also handling financial, corporate and taxation matters of the Company. He is life member of Executive Committee of Federation of Pakistan Chamber of Commerce & Industry and had been President Bahawalpur Chamber of Commerce & Industry, President D.G. Khan Chamber of Commerce & Industry and Member Managing Committee, Multan Chamber of Commerce & Industry. He also has supervised various convoys along with the trade delegation sent by the Government to abroad from time to time. He is also Director in Askari Leasing Company Limited. He also travelled abroad for business proposes with delegations.

Mr. Khawaja Muhammad Ilyas
Director

He as a Director of Mahmood Textile Mills ltd has vast experience in ginning business and using his skills, expertise and talent to boost the business of the Company. Apart from this, He being the Chairman of Audit Committee has been ensuring existence and implementation of strong internal controls over entire business operations of the internal audit function at the Mahmood Textile Mills Limited and direct the policies, standards, and procedures which will generally govern the Internal Audit Function and provide basis of explanations and judgments used in discharging internal audit responsibility by Internal Audit Department. He also travelled abroad several times.

Mr. Khawaja Muhammad Younus

Director

He acting as Director and member of audit committee at Mahmood Textile Mills Ltd is actively involved in managing spinning operations effectively and efficiently. He is supervising affairs of Masood Spinning Mills Ltd, one of the associated company of Mahmood Textile Mills Limited and comprising capacity of 45,000 most modern and Hi-tech spindles. He also directs the approval of designs and capacities, purchase/import of machinery and sales and marketing of products. He also had been member of Executive Committee of the Federation of Pakistan Chambers of Commerce & Industry , president of D. G. Khan Chamber of Commerce & Industry Dera Ghazi Khan, senior Vice Chairman of Multan Dry Port Trust and Executive Member of All Pakistan Textile Mills Association for four years, Chairman of All Pakistan Bed Sheets and Upholstery Association, Chairman of Multan Education trust, member of Governing Body/ Teaching College of Bahauddin Zikarya University and Chairman Punjab Social Security Health Management Company (Muzafargarh Hospital). He also travelled abroad several times.

Mr. Jalal-ud-din Roomi

Director

He as a director of Mahmood Textile Mills is looking after all affairs of the Company including new ventures and investments. He is also looking after entire activities with profound success of Roomi Fabrics limited and Masood Fabrics limited which are associated companies of Mahmood Textile Mills Limited and comprising capacity of 450 state-of-arts looms. He also has a vast experience in leading different Government, Semi Government and Public Limited Companies. He also had been Senior Member of All Pakistan Textile Mills Association, President of Multan Chamber of Commerce & Industries, DG Khan Chamber of Commerce & Industries and Bahawalpur Chamber of Com & Industries. Presently he is chairman board management of Nishter Medical College and Allied Hospitals, Director in Askari Commercial Bank Limited and Pakistan International Airline Corporation Limited.

Mr. Muhammad Muzafar Iqbal

Director

He has done Masters in Business Administration with distinction and is controlling all operations of Weaving business unit of the Company through his unique skills, knowledge and experience of Weaving Business. This Unit under his control and supervision is one of the most effective and efficient producer of A grade quality fabric in Pakistan. Weaving business of the company is contributing substantially of total turnover of the Company by exporting larger share to Japan. He also travelled abroad several times.

Board Human Resource Committee

Composition

Khawaja Muhammad Younus
Chairman

Jalaluddin Roomi
Member

Muhammad Muzaffar Iqbal
Member

Terms of Reference

The Committee makes recommendations to the Board for maintaining (i) a sound organizational plan of the Company, (ii) an effective employee development programme and (iii) sound compensation and benefit plans, policies and practices designed to attract and retain high caliber personnel for effective management of business with a view to achieve said objectives.

The Terms of Reference of the Board Human Resource Committee include review and recommendations for the Board's approval, matters relating to:

(i) Changes in organization, functions and relationships affecting management positions.

(ii) Establishment of Human Resource plans and procedures.

(iii) Determination of appropriate limits of authority and approval procedures for personnel matters.

(iv) Review of employee development system and procedures, early identification and development of key personnel and specific succession plans for senior management positions.

(v) Review and evaluation of compensation policies, practices and procedures.

Board Audit Committee

Composition

The Board Audit Committee is composed of the following Directors:

Khawaja Muhammad Ilyas
Chairman

Khawaja Muhammad Younus
Member

Muhammad Muzafar Iqbal
Member

Terms of Reference

The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department and compliance status of audit observations.

The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and considers any question of resignation or removal of external auditors, audit fees and provision of any service to the Company by its external auditors in addition to the audit of its financial statements.

The Terms of Reference of the Audit Committee are consistent with those stated in the Code of Corporate Governance and broadly include the following:

(i) Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors.

(ii) Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto.

(iii) Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.

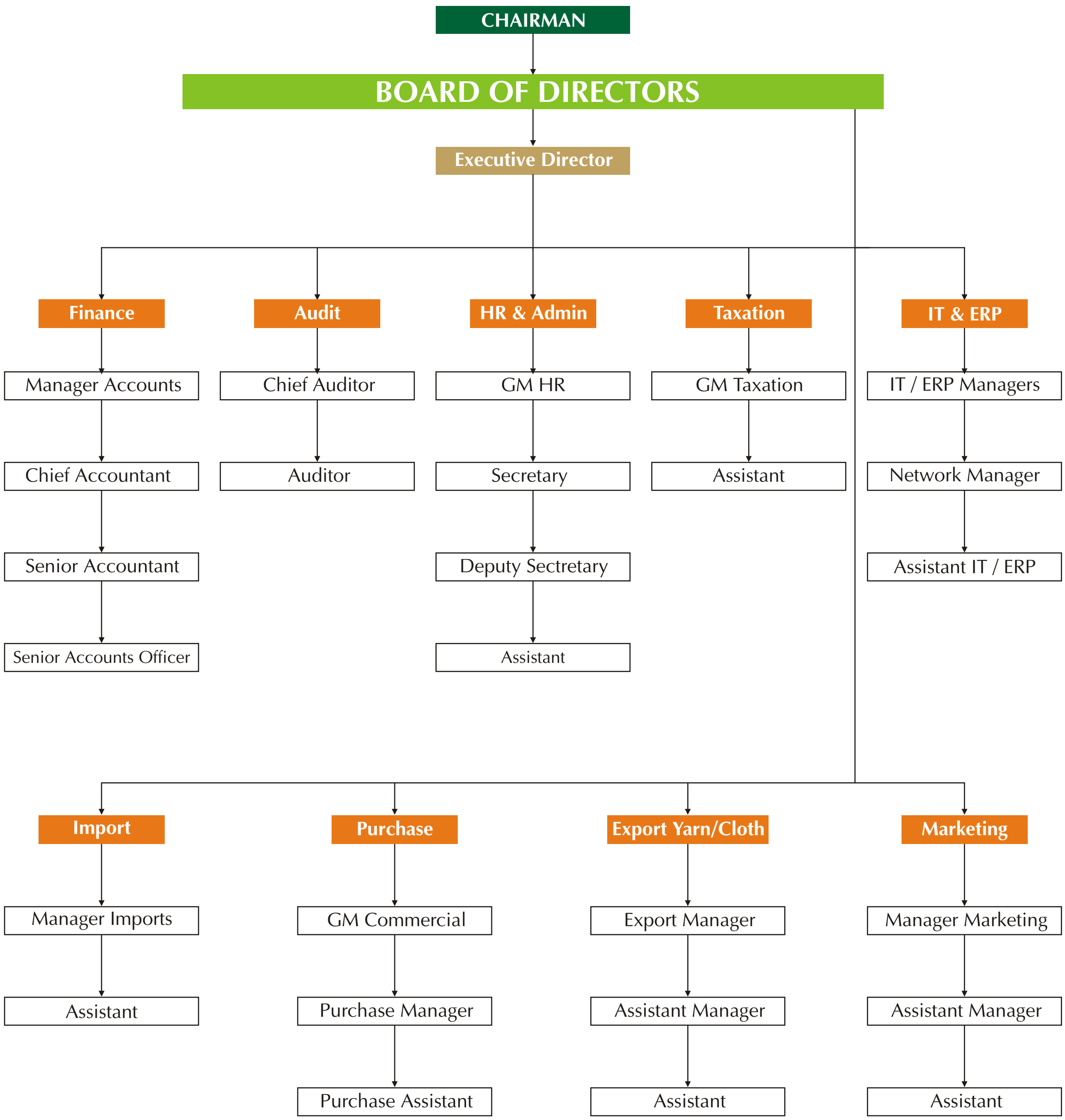
(iv) Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure.

(v) Determination of compliance with relevant statutory requirements and monitoring compliance with the best practices of corporate governance.

(vi) Institute special projects or other investigations on any matters specified by the Board of Directors.

The Board Audit Committee met four (4) times during the year with an average participation of all members.

Organazation Structure



Statement Of Compliance With The Code Of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance Contained in Listing Regulation No. 37 of the Karachi Stock 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 Code in the following manner:

1. The Company encourages representation of independent non-executive directors. At present there is no independent non executive director in the Board.

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 tax payers and none of them has defaulted in payment of any loan to a banking company, a DF1 or an NBF1.

4. No casual vacancies were occurred in the Board during the year.

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

6. The 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 decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8 The meeting of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. There were no new appointments of CFO, Company Secretary or head of internal Audit Department during the year.

10. 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.

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

12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of share-holding.

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

14. The Board has formed an Audit Committee, which comprises of 3 members.

15. The meetings 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 formulated and advised to the Committee for compliance.

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

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 (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 a adopted by ICAP.

18. The statutory auditors or the persons associated with them have not been appointed to provide other service, except in accordance with the Listing Regulations and the auditors have confirmed that they have observed (IFA) guidelines in this regard.

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

For and on behalf of the Board of Directors.

Multan: Sd/

Dated: 05 October, 2012 Chairman

Directors Attendance At Board Meetings

From July 1st 2011 to June 30, 2012

Sr. No.	Name	Designation	Meeting Held	Meeting Attended
1.	Khawaja Muhammad Masood	Chairman	4	4
2.	Khawaja Muhammad Iqbal	CEO	4	4
3.	Khawaja Muhammad Ilyas	Director	4	4
4.	Khawaja Muhammad Younus	Director	4	4
5.	Jalal-ud-Din Roomi	Director	4	4
6.	Mrs. Mehr Fatima	Director	4	4
7.	Muhammad Muzaffar Iqbal	Director	4	4

Review Report To The Members On 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 Mahmood Textile Mills Limited (the Company) to comply with the Listing Regulations of the Karachi Stock Exchange where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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, Listing Regulations of the Karachi Stock Exchange 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 the 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 30 June, 2012.

Hameed Chaudhri & Co.,
Chartered Accountants.
Audit Engagement Partner Nafees ud din

Lahore:
Dated: 05 October, 2012

Auditors' Report To The Members

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

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with 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 account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

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

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

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

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

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Hameed Chaudhri & Co.,
Chartered Accountants.
Audit Engagement Partner Nafees ud din

Lahore:
Dated: 05 October, 2012

BALANCE SHEET

AS AT 30 JUNE, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,425,654,697	2,297,580,329
Long term investments	8	921,086,939	838,716,214
Long term deposits		44,213,191	42,304,359
		3,390,954,827	3,178,600,902
Current assets			
Stores, spares and loose tools	9	139,743,809	130,236,873
Stock-in trade	10	2,244,874,684	2,468,738,851
Trade debts	11	693,220,778	607,042,675
Loans and advances	12	132,340,944	73,115,962
Other receivables	13	153,642,441	109,581,603
Tax refunds due from the Government	14	193,224,817	160,142,904
Cash and bank balances	15	9,118,046	11,556,330
		3,566,165,519	3,560,415,198
Total assets		6,957,120,346	6,739,016,100
EQUITY AND LIABILITIES			
Capital and reserves			
Authorized capital			
30,000,000 ordinary shares of Rs. 10 each		300,000,000	300,000,000
Issued, subscribed and paid-up capital	16	150,000,000	150,000,000
Capital reserve		7,120,600	7,120,600
Unappropriated profit		3,450,677,720	3,126,024,362
		3,607,798,320	3,283,144,962
Liabilities			
Non-current liabilities			
Long term financing	17	829,929,547	986,893,077
Deferred taxation	18	115,243,874	115,243,874
		945,173,421	1,102,136,951
Current liabilities			
Trade and other payables	19	865,993,322	762,792,390
Accrued mark-up	20	82,056,308	91,089,983
Short term borrowings	21	1,041,514,579	1,112,301,714
Current maturity of long term financing	17	266,584,396	230,550,100
Taxation	22	148,000,000	157,000,000
		2,404,148,605	2,353,734,187
Total liabilities		3,349,322,026	3,455,871,138
Total equity and liabilities		6,957,120,346	6,739,016,100
Contingencies and commitments	23		

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

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	(KH. MUHAMMAD IQBAL)	(KH. MUHAMMAD YOUNUS)	(MUHAMMAD AMIN PAL)
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE, 2012

	Note	2012 Rupees	2011 Rupees
Sales - Net	24	14,145,533,660	15,133,883,247
Cost of Sales	25	12,489,112,150	12,870,810,351
Gross Profit		1,656,421,510	2,263,072,896
Distribution Cost	26	423,838,781	446,985,160
Administrative Expenses	27	190,157,124	152,472,118
Other Operating Expenses	28	30,708,551	82,436,033
Other Operating Income	29	(218,662)	(23,263,965)
		644,485,794	658,629,346
Profit from Operations		1,011,935,716	1,604,443,550
Finance Cost	30	471,631,064	482,379,954
		540,304,652	1,122,063,596
Share of Profit of Associates	8	92,370,725	153,132,809
Profit before Taxation		632,675,377	1,275,196,405
Taxation			
Current	22	148,000,000	157,000,000
Prior year	22	10,022,019	96,914
Deferred	18	0	(5,329,126)
		158,022,019	151,767,788
Profit after Taxation		474,653,358	1,123,428,617
Other Comprehensive Income		0	0
Total Comprehensive Income		474,653,358	1,123,428,617
Earnings Per Share	31	31.64	74.90

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

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	(KH. MUHAMMAD IQBAL)	(KH. MUHAMMAD YOUNUS)	(MUHAMMAD AMIN PAL)
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE, 2012

	2012 Rupees	2011 Rupees
Cash flows from operating activities		
Profit for the year - before taxation and share of profit of Associates	540,304,652	1,122,063,596
Adjustments for non-cash charges and other items:		
Depreciation	242,377,894	214,017,316
(Gain) / Loss on sales of operating fixed assets - net	(58,786)	377,778
Gain on sale of shares	0	(23,145,622)
Return on bank deposits	(72,630)	(108,743)
Finance cost	471,631,064	482,379,954
Profit before working capital changes	1,254,182,194	1,795,584,279
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(9,506,936)	(18,991,284)
Stock-in-trade	223,864,167	(826,179,283)
Trade debts	(86,178,103)	(186,504,918)
Loans and advances	(59,224,982)	(35,099,983)
Other receivables	(44,060,838)	(19,579,387)
Sales Tax refunds	(55,943,726)	124,509
Increase in trade and other payables	103,110,857	407,022,387
	72,060,439	(679,207,959)
Cash generated from operations	1,326,242,633	1,116,376,320
Income tax paid	(144,264,861)	(146,639,588)
Net cash generated from operating activities	1,181,977,772	969,736,732
Cash flow from investing activities		
Purchase of property, plant and equipment	(374,551,476)	(759,909,480)
Sale proceeds of operating fixed assets	4,158,000	21,964,990
Long term investments made	0	(132,425,000)
Long term deposits	(1,908,832)	(35,826,240)
Short term investments - net	0	292,553,615
Dividend income received	10,000,000	6,000,000
Return on bank deposits	72,630	108,743
Net cash used in investing activities	(362,229,678)	(607,533,372)
Cash flow from financing activities		
Long term financing - net	(120,929,234)	364,346,926
Dividend paid	(149,805,270)	(89,907,162)
Short term borrowings - net	(70,787,135)	(186,801,835)
Finance cost paid	(480,664,739)	(453,643,264)
Net cash used in financing activities	(822,186,378)	(366,005,335)
Net decrease in cash and cash equivalents	(2,438,284)	(3,801,975)
Cash and cash equivalents - at beginning of the year	11,556,330	15,358,305
Cash and cash equivalents - at end of the year	9,118,046	11,556,330

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

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	(KH. MUHAMMAD IQBAL)	(KH. MUHAMMAD YOUNUS)	(MUHAMMAD AMIN PAL)
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE, 2012

	Share capital	Capital reserve	Unappropriated profit	Total
	------------------------ Rupees --------------------			
Balance as at 30 June, 2010	150,000,000	7,120,600	2,092,595,745	2,249,716,345
Transactions with owners:				
Final cash dividend for the year ended 30 June, 2010 @ Rs. 6 per share	0	0	(90,000,000)	(90,000,000)
Total comprehensive income for the year	0	0	1,123,428,617	1,123,428,617
Balance as at 30 June, 2011	150,000,000	7,120,600	3,126,024,362	3,283,144,962
Transactions with owners:				
Final cash dividend for the year ended 30 June, 2011 @ Rs. 10 per share	0	0	(150,000,000)	(150,000,000)
Total comprehensive income for the year	0	0	474,653,358	474,653,358
Balance as at 30 June, 2012	150,000,000	7,120,600	3,450,677,720	3,607,798,320

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

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	(KH. MUHAMMAD IQBAL)	(KH. MUHAMMAD YOUNUS)	(MUHAMMAD AMIN PAL)
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2012

1. CORPORATE INFORMATION

Mahmood Textile Mills Limited (the Company) was incorporated in Pakistan on 25 February, 1970 as a Public Company and its shares are quoted on the Karachi Stock Exchange. The Company is principally engaged in manufacture and sale of yarn, grey cloth and generation & sale of electricity. The registered office of the Company is situated at Multan whereas the mills are located at District Muzaffargarh, Dera Ghazi Khan Division, Punjab.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the 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 provisions of the Companies Ordinance, 1984 (the Ordinance) and the requirements of the Ordinance and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Ordinance or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Ordinance or the directives issued by the SECP shall prevail.

3. BASIS OF MEASUREMENT

3.1 Accounting Convention

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

3.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional currency of the Company. All financial information presented in Pak Rupees has been rounded-off to the nearest Rupee, unless otherwise stated.

4. STANDARDS INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Amended standards that are effective in the current year and are relevant to the Company

The following amendments to the approved accounting standards are mandatory for the periods beginning on or after 01 July, 2011 and are relevant to the Company:

a) IFRS 7 (Amendment), 'Financial Instruments: Disclosures'. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with the financial instruments. The amendment has only resulted in additional disclosures with respect to financial instruments, which have been duly incorporated in these financial statements.

b) 'IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment clarifies that an entity will 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 application of the revised standard has no impact on the Company's financial statements.

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

The application of the revised standard has no material impact on the Company's financial statements.

d) 'IAS 34 (Amendment), 'Interim Financial Reporting'. This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment pertains to interim reporting and was duly incorporated in the Company's condensed interim financial information for the period of six months ended 31 December, 2011.

4.2 New accounting standards, amendments to approved accounting standards and interpretations that are effective in current financial year but are not relevant to the Company

There are other new standards, amendments to approved accounting standards and interpretations that are mandatory for the periods beginning on or after 01 July, 2011; however, these are currently not considered to be relevant to the Company or do not have any impact on the Company's financial statements and therefore have not been detailed in these financial statements.

4.3 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 01 July, 2012 and have not been early adopted by the Company:

a) IFRS 7 (Amendments), 'Financial Instruments: Disclosures' (effective for the periods beginning on or after 01 January, 2013). The amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is only expected to result in additional disclosures and will not impact the Company's financial results.

b) IFRS 9, 'Financial Instruments' (effective for the periods beginning on or after 01 January, 2015). This is the first standard issued as part of a wider project to replace IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets at (i) amortised cost and (ii) fair value. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset. The Company is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Company's financial assets.

c) IFRS 13, 'Fair Value Measurement' (effective for the periods beginning on or after 01 January, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It is unlikely that this standard will have a significant affect on the Company's financial statements.

d) IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for the periods beginning on or after 01 July, 2012).The main change resulting from these amendments is a requirement for the entities to group items presented in other comprehensive income (OCI) on the basis of whether they can be potentially reclassified to profit or loss subsequently (reclassification adjustments). Since, the Company currently does not have any items of OCI, the amendments are not expected to have an affect on the Company's financial statements.

e) IAS 19 (Amendments), 'Employee Benefits' (effective for the periods beginning on or after

01 January, 2013). The amendments (i) eliminate the 'corridor method' for recognising actuarial gains and losses and make it mandatory for all the actuarial gains and losses to be recognised immediately, (ii) streamline the presentation of changes in assets and liabilities arising from defined benefit plans by reclassifying their presentation in other comprehensive income and (iii) enhance disclosure requirements for providing better information about the characteristics of the defined benefit plans and the risks that entities are exposed to through participation in these plans. The application of the revised standard will have no impact on the Company's financial statements.

There are other new accounting standards, amendments to approved accounting standards and interpretations that are not yet effective; however, they are currently not considered to be relevant to the Company and therefore have not been detailed in these financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment in value, if any, except freehold & leasehold land and capital work-in-progress, which are stated at cost.

Depreciation is charged to income applying reducing balance method to write-off the historical cost and capitalised exchange fluctuations over estimated remaining useful life of the 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 property, plant and equipment. Rates of depreciation are stated in note 7.1. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month of disposal.

Gains or losses on disposal or retirement of property, plant and equipment are determined as the difference between the sale proceeds and the carrying amount of asset and are included in the profit and loss account.

Normal repairs and maintenance are taken to profit and loss account as and when incurred. Major renewals and replacements are capitalised and the assets so replaced, if any, other than those kept as stand-by, are retired.

Capital work-in-progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of property, plant and equipment when available for intended use.

5.2 Long term investments

a) Investments in associated companies

Investments in Associated Companies are accounted for by using equity basis of accounting, under which the investments in Associated Companies are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of profit or loss of the Associated Companies after the date of acquisition. The Company's share of profit or loss of the Associated Companies is recognised in the Company's profit or loss. Distributions received from Associated Companies reduce the carrying amount of investments.

The carrying amount of investments is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in profit or loss.

b) Other investments

Other investments where the Company does not have significant influence that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available-for-sale. These investments are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserve in the period in which they arise.

c) Bonus shares are accounted for by increase in number of shares without any change in value.

5.3 Stores, spares and loose tools

Stores, spares and loose tools are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the balance sheet date. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

5.4 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw Materials:	
- At mills	- At lower of annual average cost of both local and imported stocks and net realisable value.
- In transit	- At cost accumulated to the balance sheet date.
Work-in-process	- At manufacturing cost.
Finished goods	- At lower of cost and net realisable value.
Waste	- At net realisable value.

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

- Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

5.5 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade debts and other receivables are assessed at each reporting date and a provision is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

5.6 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash-in-hand and balances with banks.

5.7 Impairment loss

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

5.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the balance sheet date.

5.9 Staff retirement benefits

The Company operates an un-funded gratuity scheme for all its eligible employees. Provision is made annually to cover obligation under the scheme. The payable balance of gratuity is paid fully to the employees before the year-end.

5.10 Trade and other payables

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

5.11 Provisions

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

5.12 Taxation

Current and prior year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantively enacted by the end of the reporting period and is based on current rates of taxation being applied on the taxable income for the year, after taking into account tax credits and rebates available, if any, and taxes paid under the Final Tax Regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

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

5.13 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to profit and loss account.

5.14 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

5.15 Government grants

Government grant that compensates the Company for expenses incurred is recognised in the profit and loss account on a systematic basis in the same period in which the expenses are recognised. Government grants are deducted in reporting the related expenses.

5.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Local sales through agents are booked on intimation from agents.
- Direct local sales are accounted for when goods are delivered to customers and invoices raised.
- Export sales are booked on despatch of goods.
- Export rebate is accounted for on accrual basis.
- Dividend income is recognised when the right to receive dividend is established.
- Interest / mark-up is accounted for on 'accrual basis'.

5.17 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include long term investments, long term deposits, trade debts, loans & advances, other receivables, bank balances, long term financing, trade & other payables, accrued mark-up and short term borrowings. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

5.18 Off-setting of financial assets and liabilities

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

5.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed-out in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.20 Segment reporting

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Operating Decision Maker of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure and products being produced and sold, the Company has been organised into three operating segments i.e. spinning, weaving and power.

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and for assessing performance. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Finance cost, other operating income & expenses and taxation are managed at the Company level. Unallocated assets mainly include long term investments, long term deposits, tax refunds due from the Government and cash & bank balances.

6. 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 judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

a) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

b) Stores & spares and stock-in-trade

The Company estimates the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make sale.

c) Provision for impairment of trade debts

The Company assesses the recoverability of its trade debts if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indications that the trade debt is impaired.

d) Taxation

In making the estimate for income taxes payable by the Company, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.

7. PROPERTY, PLANT AND EQUIPMENT

	Note	2012 Rupees	2011 Rupees
Operating fixed assets	7.1	2,393,014,828	2,217,824,122
Capital work-in-progress	7.5	32,639,869	79,756,207
		2,425,654,697	2,297,580,329

7.1 **Operating fixed assets** - tangible

Particulars	Leasehold land	Owned													Total
		Freehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Vehicles	Office equipment	Protective dam	Electric installations	Gas installations	Tools and equipment	Computer and accessories	Weighing bridge	
	Rupees														
COST															
Balance as at 30 June, 2010	17,654,855	7,725,725	346,664,234	24,714,302	2,846,289,489	7,112,346	52,232,729	3,334,948	3,631,049	92,885,036	2,720,023	7,234,204	16,650,007	2,861,872	3,431,710,819
Additions during the year	3,100,888	7,131,774	85,869,943	0	596,665,844	1,385,118	17,757,842	66,300	1,921,136	53,583,934	0	0	4,628,347	1,000,000	773,111,126
Disposals during the year	0	(2,720,000)	0	0	(23,463,377)	0	(3,754,045)	0	0	0	0	0	0	0	(29,937,422)
Balance as at 30 June, 2011	20,755,743	12,137,499	432,534,177	24,714,302	3,419,491,956	8,497,464	66,236,526	3,401,248	5,552,185	146,468,970	2,720,023	7,234,204	21,278,354	3,861,872	4,174,884,523
Balance as at 30 June, 2011	20,755,743	12,137,499	432,534,177	24,714,302	3,419,491,956	8,497,464	66,236,526	3,401,248	5,552,185	146,468,970	2,720,023	7,234,204	21,278,354	3,861,872	4,174,884,523
Additions during the year	0	0	43,215,314	0	331,436,742	917,100	12,668,375	0	955,128	28,932,553	0	120,000	3,358,602	64,000	421,667,814
Disposals during the year	0	0	0	0	(4,770,279)	0	0	0	0	0	0	0	0	0	(4,770,279)
Balance as at 30 June, 2012	20,755,743	12,137,499	475,749,491	24,714,302	3,746,158,419	9,414,564	78,904,901	3,401,248	6,507,313	175,401,523	2,720,023	7,354,204	24,636,956	3,925,872	4,591,782,058
DEPRECIATION															
Balance as at 30 June, 2010	0	0	213,130,863	8,990,379	1,426,387,854	3,996,487	30,324,299	2,351,440	2,169,767	44,092,481	1,020,104	4,776,134	11,511,634	1,886,397	1,750,637,739
Charge for the year	0	0	21,057,228	1,572,392	173,911,775	373,893	6,585,878	102,220	81,069	7,501,007	169,992	245,806	2,310,176	105,880	214,017,316
Charge on disposals	0	0	0	0	(5,455,002)	0	(2,139,652)	0	0	0	0	0	0	0	(7,594,654)
Balance as at 30 June, 2011	0	0	234,188,091	10,562,771	1,594,844,627	4,370,380	34,770,525	2,453,660	2,250,836	51,593,488	1,190,096	5,021,940	13,821,710	1,992,277	1,957,060,401
Balance as at 30 June, 2011	0	0	234,188,091	10,562,771	1,594,844,627	4,370,380	34,770,525	2,453,660	2,250,836	51,593,488	1,190,096	5,021,940	13,821,710	1,992,277	1,957,060,401
Charge for the year	0	0	21,602,059	1,415,153	197,809,402	465,840	6,643,179	94,759	208,844	10,701,724	152,993	229,226	2,863,500	191,215	242,377,894
Charge on disposals	0	0	0	0	(671,065)	0	0	0	0	0	0	0	0	0	(671,065)
Balance as at 30 June, 2012	0	0	255,790,150	11,977,924	1,791,982,964	4,836,220	41,413,704	2,548,419	2,459,680	62,295,212	1,343,089	5,251,166	16,685,210	2,183,492	2,198,767,230
BOOK VALUE AS AT 30 JUNE, 2011	20,755,743	12,137,499	198,346,086	14,151,531	1,824,647,329	4,127,084	31,466,001	947,588	3,301,349	94,875,482	1,529,927	2,212,264	7,456,644	1,869,595	2,217,824,122
BOOK VALUE AS AT 30 JUNE, 2012	20,755,743	12,137,499	219,959,341	12,736,378	1,954,175,455	4,578,344	37,491,197	852,829	4,047,633	113,106,311	1,376,934	2,103,308	7,951,746	1,742,380	2,393,014,828
Annual depreciation rate (%)	0	0	10	10	10	10	20	10	5	10	10	10	20	10	

7.2 Leasehold land and buildings on leasehold land represent the leased assets allotted by the board of Management, Industrial Estate, Multan for a period of 99 years.

7.3 Disposal of plant and machinery

Particulars	Cost	Accumulated depreciation	Book Value	Sale proceeds	(loss)/ Gain	Sold through negotiations to:
	------------	------------	Rupees	------------	------------	
2 Murata Auto Cones	4,600,000	529,000	4,071,000	3,900,000	(171,000)	Rafiq Spinning Mills (Pvt Ltd., 19-Km, Sheikhupura Road, Faisalabad.
2 Overhead Blowers	170,279	142,065	28,214	258,000	229,786	Mr. Asad Taj and Mr. Amjad Taj, Lahore.
	4,770,279	671,065	4,099,214	4,158,000	58,786	

	2012 Rupees	2011 Rupees
7.4 Depreciation for the year has been apportioned as under:		
Cost of sales	232,310,616	204,645,149
Administrative expenses	10,067,278	9,372,167
	242,377,894	214,017,316
7.5 Capital work-in-progress		
Plant and machinery		
- cost and expenses	19,068,814	59,965,903
Advances to suppliers against:		
- civil works	13,571,055	19,790,304
	32,639,869	79,756,207

8. LONG TERM INVESTMENTS
Associated Companies

Un-quoted		
Masood Spinning Mills Limited		
4,000,000 fully paid ordinary shares of Rs. 10 each - **cost**	40,000,000	40,000,000
Equity held: 13.33%		
Post acquisition profit brought forward	136,460,103	63,901,133
	176,460,103	103,901,133
Share of profits		
- current year	35,199,155	78,675,936
- adjustment for last year profits based on audited financial statements	1,241,999	(116,966)
	36,441,154	78,558,970
Dividend received	(10,000,000)	(6,000,000)
Balance c/f	202,901,257	176,460,103

	Note	2012 Rupees	2011 Rupees
Balance b/f		202,901,257	176,460,103
Roomi Fabrics Limited			
4,000,000 fully paid ordinary shares of Rs.10 each - **cost**		40,000,000	40,000,000
Equity held: 18.18%			
Post acquisition profit brought forward		187,331,111	112,757,272
		227,331,111	152,757,272
Share of profits			
- current year		57,997,488	75,522,679
- adjustment for last year profits based on audited financial statements		(2,067,917)	(948,840)
		55,929,571	74,573,839
		283,260,682	227,331,111
Others - Un-quoted			
Orient Power Company (Pvt.) Limited (OPCL)			
39,842,500 fully paid ordinary shares of Rs. 10 each - **cost**	8.2	434,925,000	434,925,000
		921,086,939	838,716,214

8.1 Summarised financial information of Masood Spinning Mills Limited and Roomi Fabrics Limited, based on the un-audited financial statements for the year ended 30 June, 2012, is as follows:

	2012	2011
Masood Spinning Mills Limited		
Total assets	2,482,637,831	2,240,974,875
Total liabilities	960,497,872	917,193,157
Revenue for the year	4,561,562,223	6,435,132,038
Profit after tax for the year	264,059,675	590,217,078
Roomi Fabrics Limited		
Total assets	3,047,517,880	3,305,914,969
Total liabilities	1,489,428,319	2,055,468,816
Revenue for the year	5,421,862,701	5,686,481,865
Profit after tax for the year	319,018,087	415,416,274

8.2 **(a)** The Company, on 22 June, 2010, had entered into a shares subscription agreement with OPCL, which is engaged in generation of 225 MW electric power. The project is located near Balloki, District Kasur, Punjab. As per the agreement terms, the Company had agreed to purchase 27,500,000 shares of OPCL at a price of Rs. 11 per share and also had option to purchase further 9,000,000 shares @ Rs. 11 per share.

(b) The Company, during the preceding year, had acquired 36,500,000 shares at a price of Rs. 11 per share as per the shares subscription agreement entered into with OPCL and 3,342,500 right shares at a price of Rs. 10 per share.

	Note	2012 Rupees	2011 Rupees

9. STORES, SPARES AND LOOSE TOOLS

	Note	2012 Rupees	2011 Rupees
Stores including in-transit inventory valuing Rs. 1,810,532 (2011: Rs. 14,457,800)		74,349,578	79,744,819
Spares		65,137,383	50,197,452
Loose tools		256,848	294,602
		139,743,809	130,236,873

9.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

10. STOCK-IN-TRADE

	Note	2012 Rupees	2011 Rupees
Raw materials including in-transit inventory valuing Rs. 71,705,084 (2011: Rs. 372,218,247)	10.1	1,510,421,363	1,495,709,327
Work-in-process		99,005,434	102,755,212
Finished goods		635,447,887	870,274,312
		2,244,874,684	2,468,738,851

10.1 Raw materials inventory as at 30 June, 2012 includes inventory costing Rs.275.130 million, which has been stated at net realisable value; the amount charged to profit and loss account in respect of inventory write down to net realisable value worked-out to Rs.101.286 million approximately.

11. TRADE DEBTS

	Note	2012 Rupees	2011 Rupees
Unsecured			
- considered good		136,718,593	243,110,630
Secured			
- local		98,916,868	66,388,854
- export		457,585,317	297,543,191
		556,502,185	363,932,045
		693,220,778	607,042,675

12. LOANS AND ADVANCES

	Note	2012 Rupees	2011 Rupees
Advances to:			
- executives		2,498,747	2,325,478
- employees		4,841,456	1,134,175
- suppliers and contractors		92,108,487	68,706,404
Deposit with Sui Northern Gas Pipelines Ltd.	23.2	15,800,000	0
Deposit against infrastructure cess	23.3	16,244,706	0
Letters of credit		847,548	949,905
		132,340,944	73,115,962

	Note	2012 Rupees	2011 Rupees
13. OTHER RECEIVABLES			
Export rebate receivable		377,997	377,997
Cotton claims receivable		778,581	4,295,951
Receivable against sale of shares	13.1	83,546,912	83,546,912
Insurance claims receivable		67,261,763	15,664,500
Containers' deposits		230,920	1,000,000
Others		1,446,268	4,696,243
		153,642,441	109,581,603

13.1 (a) This represents amount receivable from Three Star Hosiery Mills (Pvt.) Ltd. [TSHM] against sale of 4,284,457 shares of Dandot Cement Company Ltd. (DCCL) sold at the rate of Rs.19.50 per share vide agreement dated 11 September, 2008. These shares were sold against post dated cheques of Rs.83.546 million, which could not be encashed on their due dates.

(b) Initially, the Company had transferred one million shares to a director of TSHM on 29 May, 2008 whereas another transfer of one million shares to the same director of TSHM was made on 02 June, 2008. Against both the transfers, the Company had received two post dated cheques, which were due on 18 August, 2008 and 16 September, 2008 respectively. Later on, at the request of TSHM, the Company had entered into an agreement for sale of all the shares of DCCL including the balance left with it and its Associated Companies. The Company had handed-over to TSHM CDC transfer orders and against them TSHM issued post dated cheques; the aforementioned two cheques were also included in that agreement with new payment date.

(c) TSHM had also failed to make payment of mark-up on delayed payments as per terms of the agreement i.e. TSHM was liable to pay mark-up at the rate of 3-months KIBOR plus 2% per annum for the delayed period.

(d) The Company, through its legal counsel, had issued legal notices to TSHM for recovery of outstanding amounts and mark-up thereon on 31 March, 2009 and 20 May, 2009; TSHM failed to make payments even in response to the legal notices issued by the Company. Consequently, the Company had filed a suit in the Court of District Judge, Multan for recovery of the outstanding amounts along with mark-up at the rate of 3-months KIBOR + 2% per annum to be calculated on daily product basis from date of the cheques till the final realisation of the amount due. Mark-up on the balance receivable from TSHM amounting Rs.40.431 million approximately has not been accrued in these financial statements as the ultimate outcome of the matter depends upon judgment of the Court. The proceedings of the Court are still in progress.

14. TAX REFUNDS DUE FROM THE GOVERNMENT

	2012 Rupees	2011 Rupees
Income tax refundable, advance tax and tax deducted at source	127,239,714	150,101,527
Sales tax refundable	65,985,103	17,005,750
Less: provision for doubtful refunds	0	6,964,373
	65,985,103	10,041,377
	193,224,817	160,142,904

15. CASH AND BANK BALANCES

	Note	2012 Rupees	2011 Rupees
Cash-in-hand		1,838,919	1,687,058
Cash at banks on:			
- current accounts		7,071,189	8,665,683
- saving accounts	15.1	207,938	1,203,589
		7,279,127	9,869,272
		9,118,046	11,556,330

15.1 These carry profit at the rates ranging from 1% to 2% (2011: 5% to 5.50%) per annum.

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012 (No. of shares)	2011 (No. of shares)		2012 Rupees	2011 Rupees
6,288,800	6,288,800	Ordinary shares of Rs. 10 each fully paid in cash	62,888,000	62,888,000
11,000	11,000	Ordinary shares of Rs. 10 each issued as fully paid against shares of Mahmood Power Generation Ltd. upon merger	110,000	110,000
8,700,200	8,700,200	Ordinary shares of Rs. 10 each issued as fully paid bonus share	87,002,000	87,002,000
15,000,000	15,000,000		150,000,000	150,000,000

16.1 Ordinary shares held by the related parties at the reporting date are as follows:

	2012	2011
	-- Number of shares --	
Roomi Fabrics Limited	104,654	0
Masood Spinning Mills Limited	157,005	0
	261,659	0

16.2 The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All the shares rank equally with regard to the Company's residual assets.

16.3 The Company has one class of ordinary shares, which carry no right to fixed income.

16.4 The Company has no reserved shares for issuance under options and sale contracts.

	Note	2012 Rupees	2011 Rupees
17. LONG TERM FINANCING - Secured			
From banking companies			
United Bank Limited (UBL)	17.1	540,514,721	643,757,676
Habib Bank Limited (HBL)	17.2	555,999,222	573,685,501
Balance as at 30 June,		1,096,513,943	1,217,443,177
Less: current portion grouped under current liabilities:			
- UBL		136,590,046	108,119,645
- HBL		129,994,350	122,430,455
		266,584,396	230,550,100
		829,929,547	986,893,077

	No. of instalments and repayment commencement date	Rates of mark-up per annum	2012 Rupees	2011 Rupees
17.1 UBL				
Demand Finance-NIDF-III	10 Half yearly February, 2009	1.5% over 6 months KIBOR	8,691,708	14,507,948
Demand Finance-NIDF-V	12 Half yearly June, 2009	-do-	5,306,600	7,429,240
Demand Finance-NIDF-VI	10 Half yearly November, 2012	1.75% over 6 months KIBOR	67,088,325	67,088,325
Demand Finance-NIDF-VIII	10 Half yearly July, 2013*	-do-	48,766,925	48,766,925
Demand Finance-NIDF-X	10 Half yearly August, 2012	2% over 6 months KIBOR	49,755,278	49,755,278
State Bank of Pakistan - Export Oriented Projects				
- Finance No. 1	9 Half yearly May, 2010	2% p.a. over the rate of refinance as worked-out by SBP	40,459,141	60,688,711
- Finance No. 2	9 Half yearly June, 2010	-do-	9,002,004	13,503,005
- Finance No. 3	9 Half yearly June, 2010	-do-	510,238	765,358
- Finance No. 4	9 Half yearly January, 2010	-do-	35,082,484	52,623,726
- Finance No. 5	11 Half yearly May, 2010	-do-	28,160,400	37,547,200
- Financi No. 6	11 Half yearly May, 2010	-do-	11,502,506	15,336,674
Balance c/f			304,325,609	368,012,390

* Repayment terms have been revised during the current year.

	No. of instalments and repayment commencement date	Rates of mark-up per annum	2012 Rupees	2011 Rupees
Balance b/f			304,325,609	368,012,390
- Finance No. 7	11 Half yearly June, 2010	2% p.a. over the rate of refinance as worked-out by SBP	16,017,900	21,357,200
- Finance No. 8	11 Half yearly June, 2010	-do-	4,910,002	6,546,668
- Finance No. 9	12 Half yearly January, 2010	-do-	4,228,000	5,436,000
- Finance No. 10	12 Half yearly April, 2010	-do-	23,242,915	29,883,749
- Finance No. 11	12 Half yearly March, 2010	-do-	2,545,665	3,272,999
- Finance No. 12	12 Half yearly June, 2010	-do-	25,610,669	32,928,002
- Finance No. 13	12 Half yearly September, 2010	-do-	22,666,668	28,333,334
- Finance No. 14	12 Half yearly September, 2010	-do-	26,666,668	33,333,334
- Finance No. 15	16 Half yearly May, 2012	As stipulated by SBP	65,300,625	69,654,000
- Finance No. 16	16 Half yearly July, 2012	-do-	45,000,000	45,000,000
			540,514,721	643,757,676
17.2 HBL				
Demand Finance - I	14 Half yearly April, 2006	1% over 6 months KIBOR	26,528,187	79,584,562
Demand Finance - II	24 quarterly April, 2012	2% over 3 months KIBOR	8,470,854	8,839,152
Demand Finance - III	24 quarterly April, 2012	-do-	16,898,828	17,633,560
Demand Finance - IV	24 quarterly May, 2012	-do-	83,180,075	86,796,600
Demand Finance - V	24 quarterly June, 2012	-do-	57,211,350	59,698,800
Demand Finance - VI	24 quarterly October, 2012	2% over 3 months KIBOR	47,011,000	0
Demand Finance - VII	24 quarterly May, 2013	- do -	10,361,088	0
Term Loan-I	12 Half yearly May, 2011	2% over 6 months KIBOR	65,660,100	80,251,233
Term Loan-II	10 Half yearly November, 2011	1.75% over 3 months KIBOR	160,000,000	200,000,000
Finance Against Fixed Assets - I	12 Half yearly February, 2011	2% over 6 months KIBOR	4,817,799	5,888,421
Finance Against Fixed Assets - II	10 Half yearly December, 2010	-do-	7,599,600	10,132,800
Balance c/f			487,738,881	548,825,128

	No. of instalments and repayment commencement date	Rates of mark-up per annum	2012 Rupees	2011 Rupees
Balance b/f			487,738,881	548,825,128
State Bank of Pakistan- Export Oriented Projects				
- Finance No. 1	12 Half yearly February, 2011	10.25% flat	4,817,799	5,888,421
- Finance No. 2	10 Half yearly December, 2010	10.40% flat	6,280,800	8,374,400
- Finance No. 3	10 Half yearly December, 2010	11.10% flat	1,318,800	1,758,400
- Finance No. 4	24 equal quarterly April, 2012	11.20% flat	8,470,854	8,839,152
- Finance No. 5	24 equal quarterly October, 2012	12.70% flat	37,011,000	0
- Finance No. 6	24 equal quarterly May, 2013	12.70% flat	10,361,088	0
			555,999,222	573,685,501

17.3 The finance facilities available from UBL are secured against first charge over all present and future fixed assets including land and buildings of Units 4 & 5 of the Company to the tune of Rs.1.155 billion.

17.4 The finance facilities available from HBL are secured against first pari passu charge on entire fixed assets on land consisting total area of 219 kanals and 6 marlas situated at District Muzaffargarh and exclusive charge on plant & machinery imported through HBL.

17.5 The effective mark-up rates that prevailed during the year on these finance facilities ranged from 7% to 15.80% per annum (2011: 7% to 15.76% per annum).

18. DEFERRED TAXATION

The Company's income for the current year is chargeable to tax under presumptive tax regime of the Income Tax Ordinance, 2001; however, deferred taxation has been recognised as the management is not certain whether income for the subsequent years will be chargeable to tax under presumptive tax regime or normal tax regime.

19. TRADE AND OTHER PAYABLES

	Note	2012 Rupees	2011 Rupees
Creditors		91,805,605	128,702,616
Payable against purchase of land		0	3,500,000
Bills payable - secured	19.1	28,699,521	227,237,200
Due to an associated undertaking	19.2	443,237,462	57,450,333
Accrued expenses		241,132,297	232,297,129
Advances from customers		5,971,864	28,511,163
Tax deducted at source		0	113,088
Workers' (profit) participation fund	19.3	28,437,087	60,255,960
Workers' welfare fund		22,792,610	22,897,265
Unclaimed dividends		562,750	368,020
Others		3,354,126	1,459,616
		865,993,322	762,792,390

19.1 These are secured against the securities as detailed in note 21.2.

19.2 This represents amounts payable to M/s Khawaja Muzaffar Mahmood Muhammad Masood on account of normal trading transactions.

	Note	2012 Rupees	2011 Rupees
19.3 Workers' (profit) participation fund - (the Fund)*			
Opening balance		60,255,960	31,829,314
Add:			
- interest on funds utilised in the Company's business		15,476,702	4,316,578
- allocation for the year		28,437,087	60,255,960
		43,913,789	64,572,538
		104,169,749	96,401,852
Less:			
- amount paid to the fund		75,729,200	36,140,250
- amount deposited with the Government Treasury		3,462	5,642
		75,732,662	36,145,892
Closing balance		28,437,087	60,255,960

* The Fund's audit for the period from 01 July, 2011 to 02 November, 2011 was carried-out by M/s Ghazi & Co., Chartered Accountants, Abdali Road, Multan.

20. ACCRUED MARK-UP

	Note	2012 Rupees	2011 Rupees
Mark-up accrued on:			
- long term financing		33,080,815	31,473,181
- short term borrowings		48,975,493	59,616,802
		82,056,308	91,089,983

21. SHORT TERM BORROWINGS

	Note	2012 Rupees	2011 Rupees
Secured			
- Short term borrowings	21.1	241,094,899	419,441,460
- Short term running finances	21.1	800,419,680	692,567,887
		1,041,514,579	1,112,009,347
Un-secured			
- Temporary bank overdrafts		0	292,367
		1,041,514,579	1,112,301,714

21.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.10.190 billion (2011: Rs.6.720 billion) including facilities aggregating Rs.1.700 billion (2011: Rs. Nil) available on Group basis. These finance facilities, during the year, carried mark-up at the rates ranging from 12.55% to 15.29% (2011: 12.75% to 15.16%) per annum. The aggregate finance facilities are secured against charge over the Company's current assets, lien over export bills and banks' lien over letters of credit. These facilities are expiring on various dates by 31 March, 2013.

21.2 Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.2.665 billion (2011:Rs.1.715 billion) including facilities aggregating Rs.650 million (2011:Rs.Nil) available on Group basis. Out of the available facilities, facilities aggregating Rs.1.968

billion (2011: Rs.1.062 billion) remained unutilised at the year-end. These facilities are secured against lien over import documents and charge over current assets of the Company. These facilities are expiring on various dates by 28 February, 2013.

	2012 Rupees	2011 Rupees
22. TAXATION - Net		
Opening balance	157,000,000	85,000,000
Add: provision made during the year for:		
- current year	148,000,000	157,000,000
- prior year	10,022,019	96,914
	158,022,019	157,096,914
	315,022,019	242,096,914
Less: payments/adjustments made during the year against completed assessments	167,022,019	85,096,914
Closing balance	148,000,000	157,000,000

22.1 Income tax assessments of the Company have been finalised by the Income Tax Department or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) upto the year ended 30 June, 2011.

22.2 No numeric tax rate reconciliation is presented in these financial statements as the Company is only liable to pay tax due under sections 113 (minimum tax on turnover) and 154 (tax on export proceeds) of the Ordinance.

23. CONTINGENCIES AND COMMITMENTS

23.1 Guarantees given by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregated Rs.105.502 million as at 30 June, 2012 (2011: Rs.234.033 million).

23.2 Sui Northern Gas Pipelines Ltd. (SNGPL) has raised arrears demand aggregating Rs.39.462 million from the Company against the charge that sui gas meter of the Company is not working properly. The Company has challenged the said demand by filing a petition before the General Manager SNGPL, Lahore (the GM). The Company, as per direction of the GM, has deposited Rs.15.800 million representing 40% of the demand under protest and grouped it under advances (note 12). The GM has formed a Committee to probe into the matter. If the case is decided in the Company's favour, the Company will receive back 40% of the demand paid under protest; otherwise the Company will have to deposit the remaining demand of Rs.23.700 million.

23.3 The Company has challenged the imposition of infrastructure cess by the Directorate of Excise & Taxation, Karachi (the Directorate) at the rate of 0.85% of the value of imported goods by filing a suit before the High Court of Sindh at Karachi (the Court). The Court has directed the Company to furnish a bank guarantee covering the disputed amount of cess. The Company, during the period from 28 December, 2006 to 30 May, 2011, has utilised bank guarantees to the tune of Rs.32.489 million. The Directorate, vide its letter dated 13 July, 2011, has requested the Company to furnish a bank guarantee of 50% of the aforementioned amount along with a demand draft for the balance 50% of the aforementioned amount in order to return of the previous bank guarantees.

The Company has submitted a bank draft amounting Rs.16.245 million to the Directorate during September, 2011, which has been grouped under advances (note 12). Habib Bank Ltd., on behalf of the Company in consideration of allowing the release of consignments imported from time to time for the purpose of carriage of goods by road within the province of Sindh, has undertaken and guaranteed to pay an amount of Rs.16.245 million to the Directorate in case if the Court decides that the cess imposed under the Sindh Finance Act, 1994 is lawful and validly imposed. The bank guarantee is valid upto 15 August, 2013.

23.4 Foreign bills discounted outstanding as at 30 June, 2012 aggregated Rs.561.523 million (2011: Rs.1,324.522 million).

23.5 Local bills discounted outstanding as at 30 June, 2012 aggregated Rs. 10.791 million (2011: Rs. 1.650 million).

	2012	2011
23.6 Commitments for irrevocable letters of credit:	**(Rupees in million)**	
- capital expenditure	512.907	164.585
- others	49.861	26.966
	562.768	191.551

24. SALES - Net	Note	2012 Rupees	2011 Rupees
LOCAL			
Own produced:			
- yarn		1,157,020,496	1,357,417,508
- cloth		25,686,468	85,381,898
- electricity sales to Multan Electric Power Company Ltd. (MEPCO)		699,068,897	711,220,512
- waste		296,876,279	408,335,058
- doubling/sizing income		6,011,201	4,142,456
		2,184,663,341	2,566,497,432
Purchased products:			
- cotton		280,802,233	148,974,992
- yarn		209,626,466	86,907,050
- cloth		295,377	0
		490,724,076	235,882,042
	24.1	2,675,387,417	2,802,379,474
EXPORT			
Own produced:			
- yarn		7,470,654,985	8,194,873,963
- cloth		2,520,827,698	2,144,006,455
- waste		122,640,547	99,171,626
		10,114,123,230	10,438,052,044
Purchased products:			
- yarn		1,347,520,042	1,893,451,729
- waste		8,502,971	0
		1,356,023,013	1,893,451,729
	24.2	11,470,146,243	12,331,503,773
		14,145,533,660	15,133,883,247

24.1 Local sales have been shown after deduction of sales tax aggregating Rs.111.851 million (2011: Rs.120.907 million).

24.2 Gain aggregating Rs.73.123 million (2011: Rs.35.546 million) arisen upon realisation of foreign currency export debtors has been grouped under export sales.

25. COST OF SALES

	Note	2012 Rupees	2011 Rupees
Raw materials consumed	25.1	8,082,137,470	8,894,427,394
Stores and spares consumed		233,411,006	265,414,473
Packing materials consumed		146,350,846	123,346,126
Salaries, wages and benefits	25.5	504,091,946	465,511,586
Power and fuel		1,448,681,976	1,261,922,439
Repair and maintenance		14,834,779	26,522,350
Depreciation		232,310,616	204,645,149
Insurance		52,111,099	48,960,036
Doubling charges		56,213,085	49,753,159
		10,770,142,823	11,340,502,712
Adjustment of work-in-process			
Opening		102,755,212	60,306,212
Closing		(99,005,434)	(102,755,212)
		3,749,778	(42,449,000)
Cost of goods manufactured		10,773,892,601	11,298,053,712
Adjustment of finished goods			
Opening stock		870,274,312	481,702,516
Closing stock		(635,447,887)	(870,274,312)
		234,826,425	(388,571,796)
Cost of goods sold - Own manufactured		11,008,719,026	10,909,481,916
Cost of goods sold - Purchased products			
Opening stock		0	15,444,300
Purchases		1,480,393,124	1,945,884,135
		1,480,393,124	1,961,328,435
		12,489,112,150	12,870,810,351

25.1 Raw materials consumed

	Note	2012 Rupees	2011 Rupees
Opening stock		1,495,709,327	1,085,106,540
Purchases and purchase expenses		5,829,193,053	5,941,475,297
Transfer from Ginning Section - net	25.3	2,263,916,599	3,360,253,087
		8,093,109,652	9,301,728,384
		9,588,818,979	10,386,834,924
Less: closing stock		(1,510,421,363)	(1,495,709,327)
		8,078,397,616	8,891,125,597
Cotton cess		3,739,854	3,301,797
		8,082,137,470	8,894,427,394

25.2 Insurance claims aggregating Rs.17.447 million (2011: Rs.49.713 million), against loss of raw materials due to fire and quality claims lodged with suppliers, have been adjusted against raw materials consumption for the current year.

	Note	2012 Rupees	2011 Rupees
25.3 Production cost of Ginning Section - Net			
Raw materials consumed including local taxes aggregating Rs. 5,275,026 (2011: Rs. 4,107,379)		3,070,233,584	3,888,428,340
Lease charges		1,600,000	1,500,000
Salaries, wages and benefits		44,226,514	26,118,268
Travelling and conveyance		576,411	416,230
Repair and maintenance		9,735,253	3,839,078
Stores consumption		12,747,175	7,757,643
Utilities		35,928,550	23,783,203
Entertainment		729,040	596,032
Stationery		190,940	199,661
Communication		272,992	224,832
Insurance		4,356,355	3,213,101
Bank charges		9,327,751	9,764,877
Export expenses		2,654,354	0
Others		1,757,044	960,517
		3,194,335,963	3,966,801,782
Less:			
- sale of cotton seed	25.4	634,711,448	606,548,695
- cotton sale - local		238,812,023	0
- export		56,895,893	0
		930,419,364	606,548,695
Transferred to Spinning Section		2,263,916,599	3,360,253,087

The Company has acquired three Cotton Ginning Factories on operating lease; their total cost of production, after adjustment of sale of cotton seed and cotton to outsiders, has been transferred to Spinning Section as raw materials cost.

25.4 Sale of cotton seed for the current year includes sales aggregating Rs.68.293 million, which were extracted from the cotton sold during the year. These sales are exempt from income tax under SRO 629(1) of 1994 dated 27 June, 1994 and SRO 631(1)/91 dated 08 July, 1991.

25.5 Expense for the year includes staff retirement benefits - gratuity amounting Rs.29.603 million (2011: Rs.14.933 million).

26. DISTRIBUTION COST

	2012	2011
Advertisement	543,154	143,538
Export expenses	131,922,698	127,590,438
Commission	200,741,797	251,144,303
Export development surcharge	19,708,061	18,935,295
Freight and other expenses	70,923,071	49,171,586
	423,838,781	446,985,160

	Note	2012 Rupees	2011 Rupees
27. ADMINISTRATIVE EXPENSES			
Salaries and benefits	27.1	44,713,642	36,512,964
Travelling and conveyance	27.2	50,796,187	31,753,218
Rent, rates and taxes		761,896	1,190,062
Entertainment		7,706,496	7,365,325
Utilities		5,848,472	2,596,338
Communication		14,290,944	10,772,493
Printing and stationery		4,811,973	3,613,908
Insurance		1,752,787	2,416,226
Repair and maintenance		13,093,503	20,943,801
Vehicles' running and maintenance		16,266,281	14,826,146
Subscription		4,122,823	2,871,136
Auditors' remuneration:			
- statutory audit		1,000,000	1,000,000
- half yearly review		100,000	75,000
- certification charges		11,500	10,000
		1,111,500	1,085,000
Legal and professional charges		511,440	1,326,130
Depreciation		10,067,278	9,372,167
General		14,301,902	5,827,204
		190,157,124	152,472,118

27.1 Expense for the year includes staff retirement benefits - gratuity amounting Rs.3.675 million (2011: Rs.2.925 million).

27.2 These include directors' travelling expenses aggregating Rs.43.181 million (2011: Rs.21.857 million).

	Note	2012 Rupees	2011 Rupees
28. OTHER OPERATING EXPENSES			
Donations (without directors' interest)		2,264,000	1,489,190
Loss on sale of operating fixed assets - net		0	377,778
Workers' (profit) participation fund		28,437,087	60,255,960
Workers' welfare fund		0	17,454,653
Flood relief expenses		0	2,856,937
Others		7,464	1,515
		30,708,551	82,436,033
29. OTHER OPERATING INCOME			
Income from financial assets			
Return on bank deposits		72,630	108,743
Gain on sale of shares - net		0	23,145,622
Income from non-financial assets			
Rent		75,600	9,600
Export rebate		11,646	0
Gain on sale of operating fixed assets - net	7.3	58,786	0
		218,662	23,263,965

	2012 Rupees	2011 Rupees
30. FINANCE COST - Net		
Interest/mark-up on:		
- long term financing - net of mark-up subsidy Rs. Nil (2011: 2.919 million)	142,004,599	112,486,869
- short term borrowings	270,481,849	325,573,567
- workers' (profit) participation fund	15,476,702	4,316,578
Bank charges and commission	43,667,914	40,002,940
	471,631,064	482,379,954

31. EARNINGS PER SHARE

31.1 Basic

Basic earnings per share has been computed by dividing the net profit for the year after taxation by the weighted average number of ordinary shares outstanding during the year.

	2012	2011
Profit after taxation attributable to ordinary shareholders	474,653,358	1,123,428,617
	No. of shares	
Weighted average number of ordinary shares outstanding during the year	15,000,000	15,000,000
	Rupees	**Rupees**
Earnings per share	31.64	74.90

31.2 Diluted

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

32. SEGMENT INFORMATION

Segment analysis

	Spinning	Weaving	Power	Total
	----------	Rupees	----------	
Year ended 30 June, 2012				
Revenue	10,899,655,220	2,546,809,543	699,068,897	14,145,533,660
Segment results	962,441,820	156,776,370	(76,792,586)	1,042,425,605
Year ended 30 June, 2011				
Revenue	12,193,274,382	2,229,388,353	711,220,512	15,133,883,247
Segment results	1,450,254,767	203,551,256	9,809,595	1,663,615,618

Reconciliation of segment results with profit from operations:

	2012 Rupees	2011 Rupees
Total results for reportable segments	1,042,425,605	1,663,615,618
Other operating expenses	(30,708,551)	(82,436,033)
Other operating income	218,662	23,263,965
Finance cost	(471,631,064)	(482,379,954)
Profit from Associates	92,370,725	153,132,809
Profit before taxation	632,675,377	1,275,196,405

Information on assets and liabilities by segment is as follows:

	Spinning	Weaving	Power	Total
	----------	Rupees	----------	
As at 30 June, 2012				
Segment assets	4,237,145,582	1,058,042,768	376,980,171	5,672,168,521
Segment liabilities	1,264,362,235	278,299,092	3,518,211	1,546,179,538
As at 30 June, 2011				
Segment assets	4,167,157,277	1,150,861,057	278,068,089	5,596,086,423
Segment liabilities	1,416,193,315	492,573,051	8,530,841	1,917,297,207

Reconciliation of segments assets and liabilities with totals in the balance sheet is as follows:

	As at 30 June, 2012		As at 30 June, 2011	
	Assets	Liabilities	Assets	Liabilities
	----------	Rupees	----------	
Total for reportable segments	5,672,168,521	1,546,179,538	5,596,086,423	1,917,297,207
Unallocated assets/liabilities	1,284,951,825	1,803,142,488	1,142,929,677	1,538,573,931
Total as per balance sheet	6,957,120,346	3,349,322,026	6,739,016,100	3,455,871,138

- Sales to domestic customers in Pakistan are 18.91% (2011: 18.52%) and to customers outside Pakistan are 81.09% (2011: 81.48%) of the revenues during the year.

- The Company's customer base is diverse with no single customer accounting for more than 10% of net revenues.

Geographical Segments

All segments of the Company are managed on nation-wide basis and operate manufacturing facilities and sale offices in Pakistan.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

33.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

33.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials, plant & machinery, stores & spares and export of goods mainly denominated in U.S. $, Euro, Japanese Yen (JPY) and Swiss Frank (CHF). The Company's exposure to foreign currency risk for U.S. $, Euro, JPY and CHF is as follows:

	2012				
	Rupees	**US$**	**Euros**	**CHF**	**JPY**
Trade debts	(457,585,317)	(4,856,155)	0	0	0
Bills payable	28,699,521	302,795	0	0	0
Gross balance sheet exposure	(428,885,796)	(4,553,360)	0	0	0
Outstanding letters of credit	562,768,064	638,967	2,094,720	0	214,006,609
Net exposure	133,882,268	(3,914,393)	2,094,720	0	214,006,609

	2011				
	Rupees	**US$**	**Euros**	**CHF**	**JPY**
Trade debts	(297,543,191)	(3,458,785)	0	0	0
Short term borrowings	61,409,680	718,122	0	0	0
Bills payable	227,237,200	2,547,810	0	0	6,936,469
Gross balance sheet exposure	(8,896,311)	(192,853)	0	0	6,936,469
Outstanding letters of credit	191,550,435	112,474	697,652	927,500	0
Net exposure	182,654,124	(80,379)	697,652	927,500	6,936,469

The following significant exchange rates have been applied:

	Average rate		**Balance sheet date rate**	
	2012	**2011**	**2012**	**2011**
U.S. $ to Rupee	90.10	85.60	94.4/94.2	85.8/86
EURO to Rupee	121.09	114.24	118.28	123.90
CHF to Rupee	-	102.90	-	102.90
Yen to Rupee	1.1290	1.0170	1.1901	1.0678

Sensitivity analysis

At 30 June, 2012, if Rupee had strengthened by 10% against U.S. $ and JPY with all other variables held constant, profit after taxation for the year would have been higher by the amount shown below mainly as a result of net foreign exchange gains on translation of foreign currency financial assets and liabilities.

	2012 Rupees	2011 Rupees
Effect on profit for the year:		
U.S. $ to Rupee	42,888,580	1,630,307
JPY to Rupee	0	740,676

The weakening of Rupee against U.S. $, and JPY would have had an equal but opposite impact on the profit after taxation.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets/liabilities of the Company.

b) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2012	2011	2012	2011
	Effective mark-up rate		Carrying amount -------- (Rupees) --------	
	%	%		
Fixed rate instruments				
Financial assets				
Bank balances at saving accounts	1% to 2%	5% to 5.50%	207,938	1,203,589
Variable rate instruments				
Financial liabilities				
Long term financing	7% to 15.80%	7% to15.76%	1,096,513,943	1,217,443,177
Short term borrowings	12.55% to 15.29%	12.75% to 15.16%	1,041,514,579	1,112,009,347

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At 30 June, 2012, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs.21,380 thousand (2011: Rs.23,295 thousand) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) **Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result 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 instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any price risk.

33.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from trade debts, other receivables, investments and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 60 to 90 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

Exposure to credit risk

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

	2012 Rupees	**2011 Rupees**
Long term investments	434,925,000	434,925,000
Long term deposits	44,213,191	42,304,359
Trade debts	693,220,778	607,042,675
Loans and advances	7,340,203	3,459,653
Other receivables	153,642,441	109,581,603
Bank balances	7,279,127	9,869,272
	1,340,620,740	1,207,182,562

	2012 Rupees	**2011 Rupees**
Trade debts exposure by geographic region is as follows:		
Domestic	235,635,461	309,499,484
Export	457,585,317	297,543,191
	693,220,778	607,042,675

The majority of export debts of the Company are situated in Asia and Europe.

The ageing of trade debts at the year-end was as follows:		
Not past due	675,915,293	589,841,449
Less than 3 months	9,600,146	13,958,140
3 to 6 months	66,377	620,000
over 6 months	7,638,962	2,623,086
	693,220,778	607,042,675

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.640.394 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time. Further, export debts are secured through letters of credit.

33.4 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 is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

	2012				
	Carrying amount	Contractual cash flows	Less than 1 Year	Between 1 to 5 years	5 years and above
	-------------------------------- Rupees --------------------------------				
Long term financing	1,096,513,943	1,416,194,725	379,969,244	943,071,915	93,153,566
Short term borrowings	1,041,514,579	1,110,648,240	1,110,648,240	0	0
Trade and other payables	808,791,761	808,791,761	808,791,761	0	0
Accrued mark-up	82,056,308	82,056,308	82,056,308	0	0
	3,028,876,591	3,417,691,034	2,381,465,553	943,071,915	93,153,566

	2011				
	Carrying amount	Contractual cash flows	Less than 1 Year	Between 1 to 5 years	5 years and above
	-------------------------------- Rupees --------------------------------				
Long term financing	1,217,443,177	1,635,719,818	369,388,125	1,102,398,739	163,932,954
Short term borrowings	1,112,301,714	1,191,135,062	1,191,135,062	0	0
Trade and other payables	651,014,914	651,014,914	651,014,914	0	0
Accrued mark-up	91,089,983	91,089,983	91,089,983	0	0
	3,071,849,788	3,568,959,777	2,302,628,084	1,102,398,739	163,932,954

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

33.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

At 30 June, 2012, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, which are valued at their original costs less repayments.

34. CAPITAL RISK MANAGEMENT

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratio under the financing agreements.

35. REMUNERATION OF EXECUTIVES

	2012 Rupees	2011 Rupees
Managerial remuneration	15,520,800	13,876,000
Bonus	1,862,411	1,663,542
Retirement benefits - gratuity	1,531,275	1,203,500
Other perquisites and benefits	1,518,159	1,155,784
	20,432,645	17,898,826
Number of persons	17	17

35.1 Some of the executives have been provided with the Company maintained cars.

36. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise of associated companies & an undertaking, its directors and key management personnel. The Company in the normal course of business carries-out transactions with various related parties. Amounts due from and to related parties and remuneration of key management personnel are disclosed in the relevant notes. There were no transactions with key management personnel other than under the terms of employment. The transactions with related parties are made at normal market prices.

Material transactions with associated companies & an undertaking during the year were as follows:

	2012 Rupees	2011 Rupees
- sale of goods	2,392,539,084	2,814,505,472
- purchase of goods	719,036,352	2,263,906,247
- purchase of waste / comber noil	1,580,332	10,074,450
- doubling charges	13,030,116	2,683,050
- doubling revenue	1,842,201	3,810,056
- divident received	10,000,000	6,000,000

37. CAPACITY AND PRODUCTION

		2012	2011
Yarn			
Number of spindles installed		104,976	104,976
Number of spindles-shift worked		107,643,838	109,884,529
Production capacity at 20's count			
1,093 shifts (2011: 1,094 shifts)	Kgs.	36,619,861	37,382,132
Actual production converted into 20's count	Kgs.	34,148,783	37,129,827
Cloth			
Number of looms installed		100	100
Number of looms-shifts worked		109,700	109,500
Installed capacity at 60 picks			
1,093 shifts (2011: 1,094 shifts)	Sq. mtrs.	23,112,724	22,591,200
Actual production converted into 60 picks	Sq. mtrs.	20,505,609	21,158,918
Power House			
Number of generators installed		9	9
Number of shifts worked		1,093	1,094
Generation capacity in Mega Watts		19	19
Actual generation in Mega Watts		17	12

It is difficult to describe precisely the production capacity in spinning / weaving mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist, the width and construction of fabric woven, etc. It also varies according to the pattern of production adopted in a particular year.

38. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 05 October, 2012 by the board of directors of the Company.

39. GENERAL

Corresponding figures, except for the fact that exchange fluctuation gain aggregating Rs.35.546 million (net) which was grouped under other operating income for better presentation has been grouped under sales, have neither been rearranged nor reclassified.

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	(KH. MUHAMMAD IQBAL)	(KH. MUHAMMAD YOUNUS)	(MUHAMMAD AMIN PAL)
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

FORM-34
PATTERN OF SHAREHOLDING
AS AT 30TH JUNE, 2012

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL SHARES HELD
20	1	100 Shares	878
62	101	500 Shares	15,080
22	501	1,000 Shares	15,723
49	1,001	5,000 Shares	88,282
3	5,001	10,000 Shares	24,755
4	10,001	15,000 Shares	47,648
1	15,001	20,000 Shares	15,165
2	30,001	35,000 Shares	60,314
1	95,001	100,000 Shares	95,435
4	105,001	110,000 Shares	431,189
2	160,001	165,000 Shares	323,060
6	170,001	175,000 Shares	1,026,186
1	190,001	195,000 Shares	190,035
3	215,001	220,000 Shares	649,059
1	245,001	250,000 Shares	246,144
3	280,001	285,000 Shares	851,865
1	290,001	295,000 Shares	291,466
2	320,001	325,000 Shares	645,788
1	415,001	420,000 Shares	415,633
1	535,001	540,000 Shares	538,782
1	675,001	680,000 Shares	678,492
1	740,001	745,000 Shares	743,438
1	790,001	795,000 Shares	792,186
1	805,001	810,000 Shares	805,322
1	830,001	835,000 Shares	831,523
1	865,001	870,000 Shares	866,662
1	1,005,001	1,010,000 Shares	1,009,088
1	1,020,001	1,025,000 Shares	1,022,267
1	1,080,001	1,085,000 Shares	1,122,044
1	1,155,001	1,160,000 Shares	1,158,491
199			15,000,000

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARE HELD	PERCENTAGE
Directors, Chief Executive Officer, & their spouse & Minor Children:	12	6,743,400	44.96
Associated Companies, Undertakings & related parties:	2	261,659	1.74
NIT & ICP:	2	33,374	0.22
Banks, Development Financial Institutions, Non-Banking Financial Institutions:	2	564,844	3.77
Joint Stock Companies:	1	1,921	0.01
Insurance Companies:	-	-	-
Modarabas & Mutual Funds:	-	-	-
Shareholders Holding 10%:	-	-	-
General Public:			
a. Local:	180	7,394,802	49.30
b. Foreign:	-	-	-
Others:	-	-	-
	199	15,000,000	100

N.B: The above two statements include (128) shareholders Holding 1,122,044 Share through Central Depository Company of Pakistan Limited.

SHAREHOLDINGS OF DIRECTORS.
ALONGWITH SPOUSE AND MINORS

Sr. No.	Name fo Director.	No. of shares Held	TOTAL SHARES
1	Khawaja Muhammad Masood	1,009,088	
	Mst. Mehr Fatima (Spouse)	805,322	1,814,410
2	Khawaja Muhammad Iqbal	678,492	
	Mst. Khadija Qureshi (Spouse)	95,435	773,927
3	Khawaja Muhammad Ilyas	538,782	
	Mst. Bilquees Akhtar (Spouse)	743,438	1,282,220
4	Khawaja Muhammad Younus	831,523	
	Mst. RubinaYounus (Spouse)	108,130	939,653
5	Khawaja Muhammad Jalaluddin Roomi	1,156,491	
	Mrs. Humera Jalaluddin (Spouse)	190,035	1,346,526
6	Mr. Muhammad Muzaffar Iqbal	415,633	
	Mrs. Attiya Fatima (Spouse)	171,031	586,664
7	Mst. Mehr Fatima (Spouse)	Already given above.	
	Khawaja Muhammad Masood	Already given above.	
		Grand Total:	6,743,400

FORM OF PROXY

I,____

of____

being a member of Mahmood Textile Mills Ltd., hereby appoint________________________

____

of____

as my proxy in my absence to attend and vote for me and on my behalf at the (Ordinary or/ and extraordinary as the case may be) General Meeting of the Company to be held on the

____

and at any adjournment thereof________________________________

Day of________________________ 2012.

Signed by the siad

Affix
Revenue Stamp

IMPORTANT

This form of proxy, duly completed, must be deposited at the Company's Registered Office at Mehr Manzil, Lohari Gate, Multan not less than 48 hours before the time for holding the meeting.