NAGINA

NAGINA GROUP

PROSPERITY WEAVING MILLS LTD.

An ISO 9001 : 2008 Certified Company

2012 Annual Report

بسم الله الرحمن الرحيم

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Shaikh Enam Ellahi	Non-Executive Director / Chairman
	Mr. Javaid Bashir Sheikh	Non-Executive Director
	Mr. Khawaja Muhammad Ali	Non-Executive Director
	Mr. Shahzada Ellahi Shaikh	Non-Executive Director
	Mr. Shafqat Ellahi Shaikh	Non-Executive Director
	Mr. Shaukat Ellahi Shaikh	Executive Director
	Mr. Iftikhar Taj Mian	Executive Director
MANAGING DIRECTOR (Chief Executive)	Mr. Shaukat Ellahi Shaikh	
AUDIT COMMITTEE	Mr. Shafqat Ellahi Shaikh	Chairman
	Mr. Shaikh Enam Ellahi	Member
	Mr. Shahzada Ellahi Shaikh	Member
	Mr. Iftikhar Taj Mian	Secretary
HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE	Mr. Shafqat Ellahi Shaikh	Chairman
	Mr. Shahzada Ellahi Shaikh	Member
	Mr. Iftikhar Taj Mian	Member
	Mr. Muhammad Azam	Secretary
EXECUTIVE COMMITTEE	Mr. Shaikh Enam Ellahi	Chairman
	Mr. Shahzada Ellahi Shaikh	Member
	Mr. Shaukat Ellahi Shaikh	Member
	Mr. Shafqat Ellahi Shaikh	Member
CORPORATE SECRETARY	Mr. Iftikhar Taj Mian	
CHIEF FINANCIAL OFFICER (CFO)	Mr. Muhammad Tariq Sheikh	
AUDITORS	Messrs M. Yousuf Adil Saleem & Co. Chartered Accountants	
CORPORATE ADVISORS	Bandial & Associates	
LEAD BANKERS	Albaraka Bank (Pakistan) Ltd. Allied Bank Ltd. Askari Bank Ltd. Bank Alfalah Ltd. Faysal Bank Ltd. Habib Bank Ltd. HSBC Bnak Middle East Ltd. MCB Bank Ltd. National Bank of Pakistan Samba Bank Ltd. Standard Chartered Bank (Pakistan) Ltd. The Bank of Punjab United Bank Ltd.	
REGISTERED OFFICE	Nagina House 91-B-1, M.M. Alam Road Gulberg-III, Lahore-54660	
WEB REFERENCE	www.nagina.com	
SHARE REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Ltd. 1st Floor, H.M. House 7-Bank Square, Lahore Phone # 042-37235081-2 Fax # 042-37358817	
MILLS	13.5 K.M Sheikhupura Sharaqpur Road Sheikhupura	

NOTICE OF ANNUAL GENERAL MEETING

21st Annual General Meeting of PROSPERITY WEAVING MILLS LTD. will be held at the Registered Office of the Company, Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Wednesday, October 24, 2012 at 11:00 a.m. to transact the following business:-

1. To confirm minutes of the 20th Annual General Meeting held on October 26, 2011.
2. To receive and adopt audited accounts of the Company for the year ended on June 30, 2012 together with the Directors' and Auditors' reports thereon.
3. To approve dividend as recommended by the Directors.
4. To appoint auditors and fix their remuneration.
5. To transact any other ordinary business with the permission of the Chair.

Statement under Section 160 of the Companies Ordinance, 1984 is annexed.

By Order of the Board

Iftikhar Taj Mian
Corporate Secretary

Lahore: September 27, 2012

NOTES:

1. The share transfer books for ordinary shares of the Company will be closed from Thursday, October 18, 2012 to Wednesday, October 24, 2012 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore, by the close of business on Wednesday, October 17, 2012 will be in time to be passed for payment of dividend to the transferee(s).
2. A member entitled to attend and vote at the general meeting is entitled to appoint another member as proxy. Proxies, in order to be effective, must be received at the Company's registered office not less than forty eight (48) hours before the time of meeting. Members through CDC appointing proxies must attach attested copy of their Computerised National Identity Card (CNIC) with the proxy form.
3. The Shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original CNIC with copy thereof duly attested by their Bankers, Account number and Participant I.D number for identification purpose.
4. In case of corporate entity, certified copy of the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.
5. Members who have not yet submitted photocopy of their CNIC are requested to send the same to the Share Registrar of the Company.
6. Shareholders are requested to promptly notify the Company of any change in their registered address.

Statement under Section 160 of the Companies Ordinance, 1984

In compliance with The Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Members had approved a special resolution u/s 208 of the Companies Ordinance, 1984 on October 26, 2009. The Company has not made any investment under the resolution. The following is the status:

a. Total investment Approved.	Rs. 75,000,000/= (Rupees seventy five million only) to each of the following Associated Company: i) Nagina Cotton Mills Ltd. (NCML) ii) Ellcot Spinning Mills Ltd. (ESML)
b. Amount of investment made to date.	Nil
c. Reason for not having made complete investment so far where resolution required it to be implemented in specified time.	Due to better cash flows, the Associated Companies did not need funds envisaged u/s 208 of the Companies Ordinance, 1984. Therefore, no investment transaction took place during the year 2011-12.
d. Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	See table below

	Present Financial Position as on June 30, 2012		Financial Position at the time of Approval as on June 30, 2009	
	NCML	ESML	NCML	ESML
	Rupees in Millions			
Net sales	3,674.77	4,025.29	2,158.571	2,441.020
Gross Profit	616.63	432.74	216.856	273.099
Profit before tax	364.03	200.01	14.650	5.254
Profit after tax	329.17	146.40	7.576	0.997

Vision:

To be the market leader by being the best and providing the best.

Mission:

Being one of the leading manufacturers of high quality greige fabric for apparel and home furnishing, we are committed to high quality product and customer satisfaction.

Our mission is to continually improve our products and service for our worldwide customers and to provide a better return to our shareholders.

We believe in keeping our production facilities equipped with the modern technologies by continuous upgrading to be competitive in the markets.

We strive towards building log-term and better relationship with our suppliers.

We care for our employees by providing them a healthy and safe working environment and opportunity for growth through learning and experience.

We do have a social responsibility towards our community in which we operate and we are committed to safety, health and environment in all our operations.

DIRECTORS' REPORT TO THE MEMBERS

IN THE NAME OF ALLAH THE MOST GRACIOUS
THE MOST BENEVOLENT THE MOST MERCIFUL

The Directors have the honour to present 21st Annual Report of your Company together with audited financial statements and auditors' report thereon for the year ended June 30, 2012. Figures for the previous year ended June 30, 2011 are included for comparison.

Company Performance

Alhamdolillah, during the year ended June 30, 2012, the overall performance of the Company has been satisfactory. However, Company's profit after tax for the current year amounting to Rs. 77,523,852 (2011: Rs. 138,605,974) has been on a lower side by Rs. 61,082,122 as compared to the corresponding previous year.

Net sales for the current year are amounting to Rs. 5,382,233,670 as compared to Rs. 5,952,133,116 for the prior year which are decreased by 9.57%. In the year under review the unit price decreased and net sales for the previous year also included sale of electricity to LESCO of Rs. 205,872,913. Gross profit for the current year amounting to Rs. 374,693,905 (2011: Rs. 483,538,682) has decreased by 22.51%. Gross profit has decreased mainly due to energy cost and reduction in sales value.

Distribution cost Rs. 102,192,947 (2011: Rs. 111,451,313) for the current year has decreased by 8.31% as compared to corresponding previous year mainly due to decrease in commission on local and export sales.

Administrative expenses Rs. 50,122,897 (2011: Rs. 41,492,613) for the current year has increased by 20.80% as compared to corresponding previous year mainly due to inflation, increase in salaries and general expenses.

Other operating expenses Rs. 11,012,502 (2011: Rs. 15,598,357) for the current year has decreased by 29.40% as compared to corresponding previous year, mainly, owing to decrease in the provision for WPPF and WWF due to decrease in operating profit for the current year.

Finance cost Rs. 107,067,796 (2011: Rs. 118,401,666) for the current year has decreased by 9.57% as compared to corresponding previous year mainly due to repayment of long term finances.

Earning per share for the current year is Rs. 4.20 as compared to Rs. 7.50 for the corresponding previous year.

The main reason attributable to decline in EPS is decline in unit sales price both in International and local market coupled with natural gas and electricity load shedding and discontinuity of sale of electricity to LESCO.

Future Prospects and Outlook

Though the financial results for the current year are satisfactory, however, at the same time the management is concerned about the profitability of the Company for the coming year due to ever increasing production cost, uncertainty in prices of cotton and yarn, high energy cost coupled with load shedding in Gas & Power sector and double digit inflation. However, management of the Company is closely monitoring the situation and hope to overcome the challenges to remain profitable.

Dividend

The Directors have pleasure to recommend payment of *Cash Dividend @25% i.e. Rs. 2/50* per ordinary share. The Dividend will amount to Rs. 46,200,000 /=.

Capital Assets Investment

As Balancing, Modernisation & Replacement (BMR) of buildings, plant & equipment is continuous requirement, we continuously undertake BMR activity. During the year Rs. 40,882,680 were invested in plant and machinery and other assets.

Environment, Health and Safety

The Company maintains safe working conditions avoiding the risk to the health of employees and public at large. The management has maintained safe environment in all its operations throughout the year and is vigilant about safety and living facilities.

Corporate Governance & Financial Reporting Framework

As required by the Code of Corporate Governance, Directors are pleased to report that:

i) The financial statements prepared by the management of the Company present fair state of Company's operations, cash flows and changes in equity.

ii) Proper books of account of the Company have been maintained.

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

iv) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

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

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

vii) Key operating and financial data for the last six years is annexed.

viii) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2012 except for those disclosed in the financial statements.

ix) No adverse material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report

x) During 2011-2012, no trade in the shares of the Company carried out by any of its Directors, CEO, CFO, Company Secretary and their spouses and minor children except Mr. Shaikh Enam Ellahi, Director who purchased 10,000 shares of the Company.

xi) Requirement under Listing Regulation No. 35 (xi) has been complied with.

Related Parties

The transactions between the related parties were carried out at an arm's length basis. The Company has fully complied with the best practices of the transfer pricing as contained in the listing regulation of stock exchanges in Pakistan.

Financial Statements Audit

Financial statements of the Company have been audited without any qualification by Messrs. M. Yousuf Adil Saleem & Co., Chartered Accountants, the auditors of the Company.

Shareholding pattern

The shareholding pattern as at June 30, 2012 including the information under the Code of Corporate Governance, for ordinary shares, is annexed.

Notice u/s 218 of the Companies Ordinance, 1984

Notice u/s 218 of the Companies Ordinance, 1984 is annexed.

Committees of the Board

The Board of Directors of the Company in compliance with the Code of Corporate Governance and Articles of Association of the Company has established following Committees. The names of the members of the committees are given in the Company information.

- Audit Committee
- Human Resource & Remuneration (HR&R) Committee
- Executive Committee

Board of Directors' Meetings

During the year, four (4) meetings of the Board of Directors were held. Attendance by each Director is as follows:-

S #	Name of Director	Attendance
1	Mr. Shaikh Enam Ellahi	3 (Three)
2	Mr. Khawaja Muhammad Ali	3 (Three)
3	Mr. Javaid Bashir Sheikh	3 (Three)
4	Mr. Shahzada Ellahi Shaikh	4 (Four)
5	Mr. Shaukat Ellahi Shaikh	4 (Four)
6	Mr. Shafqat Ellahi Shaikh	4 (Four)
7	Mr. Iftikhar Taj Mian	4 (Four)

Leave of absence was granted to Directors who could not attend some of the Board meetings.

Audit Committee Meetings

During the year, five (5) meetings of Audit Committee of the Board were held. Attendance by each Director is as follows:

S #	Name of Director	Attendance
1	Mr. Shaikh Enam Ellahi	5 (five)
2	Mr. Shahzada Ellahi Shaikh	5 (five)
3	Mr. Shafqat Ellahi Shaikh	5 (five)

Executive Committee Meetings

During the year, four (4) meetings of Executive Committee of the Board were held. Attendance by each Director is as follows:

S #	Name of Director	Attendance
1	Mr. Shaikh Enam Ellahi	4 (four)
2	Mr. Shahzada Ellahi Shaikh	4 (four)
3	Mr. Shaukat Ellahi Shaikh	4 (four)
4	Mr. Shafqat Ellahi Shaikh	4 (four)

Human Resource & Remuneration (HR & R) Committee Meetings

The Board of Directors formed HR & R Committee in April, 2012. During the year, one (1) meeting of HR & R Committee of the Board was held. Attendance by each Director is as follows:

S #	Name of Director	Attendance
1	Mr. Shafqat Ellahi Shaikh	1 (one)
2	Mr. Shahzada Ellahi Shaikh	1 (one)
3	Mr. Iftikhar Taj Mian	1 (one)

Appointment of Auditors

The audit committee has recommended for re-appointment of present auditors, Messrs. M. Yousuf Adil Saleem & Co., Chartered Accountants, Lahore. They are due to retire and being eligible, offer themselves for re-appointment as auditors for the year 2012-13.

Acknowledgment

The continued good results have been possible due to continued diligence and devotion of the staff and workers of the Company and the continued good human relations at all levels deserve acknowledgement.

On behalf of the Board

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore: September 27, 2012

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

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi & Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Board of Directors of the Prosperity Weaving Mills Ltd., has always supported and re-confirms its commitment to continued support and implementation of the highest standards of Corporate Governance at all times.

2. The Company encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Mr. Shaikh Enam Ellahi	Non-Executive Director / Chairman
Mr. Javaid Bashir Sheikh	Non-Executive Director
Mr. Khawaja Muhammad Ali	Non-Executive Director
Mr. Shahzada Ellahi Shaikh	Non-Executive Director
Mr. Shafqat Ellahi Shaikh	Non-Executive Director
Mr. Shaukat Ellahi Shaikh	Executive Director
Mr. Iftikhar Taj Mian	Executive Director

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.

4. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

5. No casual vacancy occurred during the year.

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

7. 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.

8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board in line with Articles of Association of the Company.

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

10. Requirement under Listing Regulation No. 35 (xi) have been complied with.

11. The Board had approved appointment of CFO, Company Secretary and Head of Internal Audit, in line with Code of Corporate Governance.

12. The Directors' report for this year has been prepared in compliance with the requirements of CCG and fully describes the salient matters required to be disclosed.

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

14. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

16. The Board has formed an Audit Committee. It comprises three members, all members are non-executive directors.

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

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

19. The Board has formed an executive committee comprising four Directors to meet and take decisions on behalf of Board in the absence of full Board. The minutes of the meetings are properly maintained.

20. The Board has set up an effective internal audit function.

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

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

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

24. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors.

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

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

for & on behalf of the Board

SHAUKAT ELLAHI SHAIKH
Mg. Director (Chief Executive)

Lahore: September 27, 2012

Shareholders' Information

Annual General Meeting

21st Annual General Meeting of PROSPERITY WEAVING MILLS LTD. will be held at the Registered Office of the Company, Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Wednesday, October 24, 2012 at 11:00 a.m.

Eligible shareholders are encouraged to participate and vote.

Ownership

On June 30, 2012, the Company has 611 Shareholders.

Web Reference

The Company maintains a functional website. Annual, Half-yearly and Quarterly reports are regularly posted at the Company's website: www.nagina.com

Dividend

The Board of Directors have recommended in their meeting held on September 27, 2012, payment of final cash dividend at the rate of Rs. 2/50 per share i.e. 25% for the year ended June 30, 2012.

Dividend Mandate (Optional)

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan vide Circular Number 18 of 2012 dated June 5, 2012, transferee of shares may exercise option for dividend mandate by using the revised “Form of Transfer Deed”. The revised form of transfer deed will enable the transferees to receive cash dividend directly in their bank accounts, if such transferee provides particulars of its bank account which he/she/it desires to be used for credit of cash dividend.

The existing shareholders have the option to seek the dividend mandate option by sending the mandate information on the following format, directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS).

Detail of Bank Mandate	
Title of Bank Account	
Bank Account Number	
Bank’s Name	
Branch Name and Address	
Cell number of Shareholder / Transferee	
Landline number of Shareholder / Transferee, if any	

It is stated that the above-mentioned information is correct, that I will intimate the changes in the above-mentioned information to the Company and the concerned Share Registrar as soon as these occur.

____
Signature of the Shareholder

Requirement of CNIC Number / National Tax Number (NTN) Certificate

With reference to the notification of Securities and Exchange Commission of Pakistan (SECP), SRO 779(I)/2011 dated August 18, 2011 and SRO 831(I)2012 dated July 5, 2012 which mandate that dividend warrants should bear CNIC number of the registered member.

Members who have not yet submitted copy of their valid Computerized National Identity Card (CNIC) / National Tax Number (NTN) Certificate (in case of Corporate Entity) are requested to submit the same at the earliest.

Copy of CNIC/NTN may be sent directly to the Share Registrar:

M/s Hameed Majeed Associates (Pvt.) Limited,
H.M. House,
7-Bank Square,
Lahore
Ph # (+92-42) 37235081-82
Fax # (+92-42) 37358817

Kindly note that in case of non compliance of the submission of CNIC, the Company may be constrained to withhold the dispatch of dividend warrant in future.

Investor Relations Contact

Mr. Iftikhar Taj Mian, Corporate Secretary
Email: itm@nagina.com, Ph # (+92-42) 35756270, Fax: (+92-42) 35711856

Delivery of the Unclaimed / Undelivered Shares

Members are requested to contact the Registered Office of the Company or the Share Registrar, M/s. Hameed Majeed Associates (Pvt) Ltd., H.M. House, 7-Bank Square, Lahore., for collection of their shares which they have not received due to any reasons.

To: All members of the Company

NOTICE UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

In pursuance of Section 218 of the Companies Ordinance, 1984, the members of the Company are hereby informed that upon recommendation of Human Resource and Remuneration (HR&R) Committee, Board of Directors in their meeting held on September 27, 2012 has approved the increase in remuneration of Mr. Shahzada Ellahi Shaikh effective from July 1, 2012 as under:

Remuneration of Mr. Shahzada Ellahi Shaikh, being Director and providing assistance to Chairman of the Board.

Description	Present Remuneration	Remuneration After increase
Remuneration	Rs. 264,500/= per month.	Rs. 325,000/= per month inclusive of 10% medical allowances
Other benefits		
Transport	Two company maintained cars with drivers.	No Change
Utilities	Actual cost of utilities, i.e. gas, electricity and water at his residences and telecommunication facilities.	No Change
Leave Fare Assistance (LFA)	Leave passage for self and family.	No Change

Iftikhar Taj Mian
Corporate Secretary

Lahore: September 27, 2012

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PATTERN OF SHAREHOLDING
As at June 30, 2012
CUIN (Incorporation Number) 0025740

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
231	1	100	5,095
149	101	500	40,807
57	501	1,000	48,316
114	1,001	5,000	267,980
23	5,001	10,000	186,195
9	10,001	15,000	109,227
5	15,001	20,000	93,170
2	20,001	25,000	46,860
4	25,001	30,000	109,564
2	30,001	35,000	69,279
1	35,001	40,000	36,500
-	40,001	50,000	-
3	50,001	55,000	153,626
-	55,001	80,000	-
1	80,001	85,000	84,591
-	85,001	100,000	-
1	100,001	105,000	104,500
-	105,001	150,000	-
1	150,001	155,000	151,332
-	155,001	170,000	-
1	170,001	175,000	174,687
-	175,001	270,000	-
1	270,001	275,000	272,537
-	275,001	695,000	-
1	695,001	700,000	700,000
-	700,001	1,675,000	-
1	1,675,001	1,680,000	1,678,242
-	1,680,001	3,425,000	-
2	3,425,001	3,430,000	6,858,624
-	3,430,001	3,445,000	-
2	3,445,001	3,450,000	7,195,215
			93,653
611	**Total:-**		**18,480,000**

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	10,608,858	57.41
Associated Companies, undertakings and related parties	5,579,283	30.19
NIT and ICP	70	0.00
Banks, Development Finance Institutions, Non Banking Finance Institutions	3,975	0.02
Insurance Companies	Nil	Nil
Modarabas and Mutual Funds	84,591	0.46
Shareholders Holding 10% or more	14,053,839	76.05
General Public		
a. Local	1,495,904	8.09
b. Foreign	Nil	Nil
Others (Joint Stock Companies etc.)	707,319	3.83

Note:-

M/s. Nagina Cotton Mils Ltd., had distributed 8,415,000 ordinary shares of M/s. Prosperity Weaving Mills Ltd., among its members, out of which 93,653 ordinary shares have yet to be transferred by the members of M/s. Nagina Cotton Mills Ltd., These shares have been shown under the head of "General Public".

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Information under clause xvi (j) of the Code of Corporate Governance
As at June 30, 2012

S #		Name	Shares Held	Percentage
1)		***Associated Companies, Undertaking and Related Parties***		
	i)	ELLAHI INTERNATIONAL (PVT) LTD.	3,747,415	20.28
	ii)	ARH (PVT) LTD.	1,678,242	9.08
	iii)	HAROON OMER (PVT) LTD.	50,857	0.27
	iv)	MONELL (PVT) LTD.	51,907	0.28
	v)	ICARO (PVT) LTD.	50,862	0.28
			5,579,283	**30.19**
2)		***Mutual Funds***		
		GOLDEN ARROW SELECTED STOCKS FUND	**84,591**	**0.46**
3)		***Directors, Chief Executive Officer and their spouse and minor children***		
	i)	MR. SHAIKH ENAM ELLAHI	272,537	1.47
	ii)	MR. SHAHZADA ELLAHI SHAIKH	3,429,374	18.56
	iii)	MR. SHAUKAT ELLAHI SHAIKH	3,447,800	18.66
	iv)	MR. SHAFQAT ELLAHI SHAIKH	3,429,250	18.56
	v)	MRS. HUMAIRA SHAHZADA	2,934	0.02
	vi)	MRS. MONA SHAUKAT	2,934	0.02
	vii)	MRS. SHAISTA SHAFQAT	2,934	0.02
	viii)	MR. JAVAID BASHIR SHEIKH	500	-
	ix)	MRS. MEHREEN SAADAT	19,300	0.10
	x)	MR. KHAWAJA MUHAMMAD ALI	795	-
	xi)	MR. IFTIKHAR TAJ MIAN	500	-
			10,608,858	**57.41**
4)		***Executives***	**1,237**	**0.01**
5)		***Public Sector Companies and Corporations***	**700,070**	**4.00**
6)		***Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds.***	**3,975**	**0.02**
7)		***Shareholders holding five percent or more voting rights***		
	i)	ELLAHI INTERNATIONAL (PVT) LTD.	3,747,415	20.28
	ii)	ARH (PVT) LTD.	1,678,242	9.08
	iii)	MR. SHAHZADA ELLAHI SHAIKH	3,429,374	18.56
	iv)	MR. SHAUKAT ELLAHI SHAIKH	3,447,800	18.66
	v)	MR. SHAFQAT ELLAHI SHAIKH	3,429,250	18.56

KEY FINANCIAL INFORMATION

		YEAR ENDED 30TH JUNE					
		2012	2011	2010	2009	2008	2007
Sales	Rs.'000	5,382,234	5,952,133	4,070,195	3,634,559	2,746,372	2,681,575
Gross profit	Rs.'000	374,694	483,539	399,270	368,861	135,027	160,001
Operating profit	Rs.'000	215,237	319,500	292,938	242,524	43,905	108,665
Profit / (loss) before tax	Rs.'000	108,170	201,098	176,388	108,120	(54,021)	15,010
Profit / (loss) after tax	Rs.'000	77,524	138,606	127,321	83,902	(65,078)	4,851
Share capital - paid up	Rs.'000	184,800	184,800	184,800	184,800	184,800	184,800
Shareholders' equity	Rs.'000	560,827	547,983	464,817	374,456	290,555	355,632
Total assets	Rs.'000	1,651,554	1,575,976	1,513,769	1,547,802	1,557,279	1,570,647
Earnings per share - pre tax	Rs.	5.85	10.88	9.54	5.85	(2.92)	0.80
Earnings per share - after tax	Rs.	4.20	7.50	6.89	4.54	(3.52)	0.26
Dividend per share	**Rs.**	**2.50**	**3.50**	**3.00**	**2.00**	**0.00**	**0.00**
Market value per share as on 30 June	Rs.	9.37	14.05	16.89	6.00	7.45	13.25
Gross profit to sales	%	6.96	8.12	9.81	10.15	4.92	5.97
Operating profit to sales	%	4.00	5.37	7.20	6.67	1.60	4.05
Profit / (loss) before tax to sales	%	2.01	3.38	4.33	2.97	(1.97)	0.56
Profit / (loss) after tax to sales	%	1.44	2.33	3.13	2.31	(2.37)	0.18
Current ratio		1.05:1	1.42:1	1.33:1	1.61:1	1.47:1	1.01:1
Total debt to total assets ratio	%	63.79	62.87	66.84	73.40	78.54	74.57
Debt equity ratio	%	41.87	53.87	61.27	70.82	77.53	69.38

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **PROSPERITY WEAVING MILLS LIMITED** (the company) to comply with the relevant Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail at arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related part transaction 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.

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M. Yousuf Adil Saleem & Co
Chartered Accountants

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

M. Yousuf Adil Saleem

(Chartered Accountants)

Engagement Partner: Tulat Javed

Lahore

September 27, 2012

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AUDITORS' REPORT TO THE MEMBERS

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

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with 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 misstatements. 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 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 parts thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and

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

M. Yousuf Adil Saleem & Co

(Chartered Accountants)

Engagement Partner: Talat Javed

Lahore

September 27, 2012

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BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012	2011
		---------------- Rupees	----------------
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 (2011: 20,000,000) ordinary shares of Rs. 10 each		**200,000,000**	200,000,000
Issued, subscribed and paid up capital	4	**184,800,000**	184,800,000
Capital reserve	5	**16,600,000**	16,600,000
Accumulated profit		**359,426,846**	346,582,994
Total equity		**560,826,846**	547,982,994
SURPLUS ON REVALUATION OF LAND	6	**37,182,634**	37,182,634
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances	7	**250,999,903**	430,796,461
Employees retirement benefits	8	**28,903,292**	24,473,669
Deferred taxation	9	**35,878,194**	40,491,445
		315,781,389	**495,761,575**
CURRENT LIABILITIES			
Current portion of long term finances	7	**179,796,558**	209,135,208
Short term borrowings	10	**383,126,764**	77,330,502
Accrued interest / mark-up	11	**21,258,936**	24,949,660
Trade and other payables	12	**153,580,516**	183,633,045
		737,762,774	495,048,415
TOTAL LIABILITIES		**1,053,544,163**	**990,809,990**
CONTINGENCIES AND COMMITMENTS	13	-	-
TOTAL EQUITY AND LIABILITIES		**1,651,553,643**	1,575,975,618

The annexed notes from 1 to 44 form an integral part of these financial statements.

Lahore: September 27, 2012

Javaid Bashir Sheikh
Director

BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012	2011
		Rupees	Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	**861,259,891**	872,819,503
Long term deposits	15	**15,215,150**	224,500
		876,475,041	873,044,003
CURRENT ASSETS			
Stores, spare parts and loose tools	16	**41,371,168**	45,166,681
Stock-in-trade	17	**342,948,094**	347,365,154
Trade debts	18	**273,319,110**	231,375,132
Advances	19	**12,771,364**	15,339,549
Short term prepayments	20	**1,532,613**	1,487,178
Other receivables	21	**2,907,947**	1,669,608
Short term investments	22	**78,562**	10,054,498
Sales tax refundable	23	**25,703,479**	39,910,699
Advance income tax	24	**18,316,960**	10,158,778
Bank balances	25	**56,129,305**	404,338
		775,078,602	702,931,615
TOTAL ASSETS		**1,651,553,643**	1,575,975,618

The annexed notes from 1 to 44 form an integral part of these financial statements.

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

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

	Note	2012	2011
		------------- Rupees -------------	
Sales - net	26	**5,382,233,670**	5,952,133,116
Cost of sales	27	**(5,007,539,765)**	(5,468,594,434)
Gross profit		**374,693,905**	483,538,682
Distribution cost	28	**(102,192,947)**	(111,451,313)
Administrative expenses	29	**(50,122,897)**	(41,492,613)
Other operating expenses	30	**(11,012,502)**	(15,598,357)
		(163,328,346)	(168,542,283)
		211,365,559	314,996,399
Other operating income	31	**3,871,811**	4,503,129
Operating profit		**215,237,370**	319,499,528
Finance cost	32	**(107,067,796)**	(118,401,666)
Profit before taxation		**108,169,574**	201,097,862
Provision for taxation	33	**(30,645,722)**	(62,491,888)
Profit after taxation		**77,523,852**	138,605,974
Other comprehensive income		**-**	-
Total comprehensive income for the year		**77,523,852**	138,605,974
Earnings per share - basic and diluted	34	**4.20**	7.50

The annexed notes from 1 to 44 form an integral part of these financial statements.

Lahore: September 27, 2012

Javaid Bashir Sheikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		------------- Rupees	-------------
Cash generated from operations	41	**247,311,269**	334,983,469
(Payments made) / receipts of:			
Employee retirement benefits		**(5,689,406)**	(9,988,811)
Finance cost		**(110,758,520)**	(116,533,918)
Income taxes		**(43,417,155)**	(43,771,778)
Sales tax		**14,207,220**	(20,947,993)
Net cash generated from operating activities		**101,653,408**	143,740,969
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(73,852,729)**	(112,975,823)
Proceeds from disposal of property, plant and equipment		**1,298,000**	3,039,000
Purchase of short term investments		**(190,000,000)**	(195,000,000)
Proceeds from sale of short term investments		**203,370,595**	187,899,173
Increase in long term deposits		**(14,990,650)**	-
Profit on deposits received		**21,810**	97,286
Net cash used in investing activities		**(74,152,974)**	(116,940,364)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances obtained		**-**	296,863,508
Repayment of long term finances		**(209,135,208)**	(391,398,568)
Repayment of liabilities against assets subject to finance lease		**-**	(871,971)
Net increase in short term borrowings		**301,653,570**	44,279,663
Dividend paid		**(64,293,829)**	(55,440,000)
Net cash from / (used in) financing activities		**28,224,533**	(106,567,368)
Net increase / (decrease) in cash and cash equivalents		**55,724,967**	(79,766,763)
Cash and cash equivalents at beginning of the year		**404,338**	80,171,101
Cash and cash equivalents at end of the year		**56,129,305**	404,338

The annexed notes from 1 to 44 form an integral part of these financial statements.

Lahore: September 27, 2012

Javaid Bashir Sheikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

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

	Issued, subscribed and paid up share capital	Capital reserve	Accumulated profit	Total
	----------	---------- Rupees	----------	----------
Balance as at July 01, 2010	184,800,000	16,600,000	263,417,020	464,817,020
Comprehensive income				
Profit after taxation	-	-	138,605,974	138,605,974
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	138,605,974	138,605,974
Transactions with owners				
Final dividend @ 30% i.e. Rs. 3.00 per ordinary share	-	-	(55,440,000)	(55,440,000)
Balance as at June 30, 2011	184,800,000	16,600,000	346,582,994	547,982,994
Comprehensive income				
Profit after taxation	-	-	77,523,852	77,523,852
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	77,523,852	77,523,852
Transactions with owners				
Final dividend @ 35% i.e. Rs. 3.50 per ordinary share	-	-	(64,680,000)	(64,680,000)
Balance as at June 30, 2012	**184,800,000**	**16,600,000**	**359,426,846**	**560,826,846**

The annexed notes from 1 to 44 form an integral part of these financial statements.

Lahore: September 27, 2012

Javaid Bashir Sheikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

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

1 LEGAL STATUS AND OPERATIONS

1.1 Prosperity Weaving Mills Limited ("the Company") was incorporated in Pakistan on November 20, 1991 as a public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore. The Company is currently listed on Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. The principal activity of the Company is manufacturing and sale of woven cloth, however, it has also been engaged in the generation and sale of electricity under license from National Electric Power Regulatory Authority uptill year ended June 30, 2011. The Mill is located at District Sheikhupura in the Province of Punjab.

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

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 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 (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE COMPANY

The following amendments, revisions and interpretations to published accounting standards were not effective during the year and have not been early adopted by the Company:

		Effective date (annual periods beginning on or after)
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 1,2013 & January 1,2015
IAS 1	Presentation of Financial Statements (Amendments)	July 1, 2012 & January 1, 2013
IAS 12	Income Taxes (Amendments)	January 1, 2012
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2013
IAS 19	Employee Benefits (Amendments)	January 1, 2013
IAS 27	Consolidated and Separate Financial Statements (Revised)	January 1, 2013
IAS 28	Investments in Associates (Revised)	January 1, 2013
IAS 32	Financial Instruments Presentation (Amendments)	January 1, 2013 & January 1, 2014
IAS 34	Interim Financial Reporting (Amendments)	January 1, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

The management anticipates that, except for the effects on the financial statements of amendments to IAS 19 "Employee Benefits", the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation / disclosures. The application of the amendments to IAS 19 would result in the recognition of cumulative unrecognized actuarial gains / losses in other comprehensive income in the period of initial application, which cannot be presently quantified as on the balance sheet date.

2.3 INTERNATIONAL ACCOUNTING STANDARDS, IFRS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE EFFECTIVE AND NOT APPLICABLE TO THE COMPANY

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

		Effective date (annual periods beginning on or after)
IFRS 1	First-Time Adoption of International Financial Reporting Standards (Amendments)	July 1, 2009
IFRS 9	Financial Instruments	January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013

The following interpretations issued by the IASB have been waived off by the SECP, effective January 16, 2012:

IFRIC 4	Determining Whether an Arrangement Contains a Lease
IFRIC 12	Service Concession Arrangements

2.4 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

EMPLOYEE BENEFITS

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income.

The calculation requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation.

PROPERTY, PLANT AND EQUIPMENT

The Company reviews the residual value, useful lives and recoverable amount of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment, if any.

TAXATION

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 ACCOUNTING CONVENTION

These financial statements have been prepared under historical cost convention modified by:

- revaluation of land
- financial instruments at fair value
- recognition of certain employee retirement benefits at present value

3.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Capital work-in-progress and stores held for capital expenditure are stated at cost. Cost also includes borrowing cost; wherever applicable.

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

When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are recognized as part of asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to profit and loss account applying the reducing balance method over its estimated useful life at the rates specified in note 14.1 to the financial statements.

Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off.

Exchange differences in respect of foreign currency loans obtained for acquisition of property, plant and equipment are recognized in the profit and loss account, as and when incurred.

Surplus arising on revaluation of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related property, plant and equipment during the year is transferred by the Company to its un-appropriated profit.

Gain or loss on disposal of property, plant and equipment, if any, is recognized in the profit and loss account, as and when incurred.

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

3.3 ASSETS SUBJECT TO FINANCE LEASE

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

3.4 STORES, SPARE PARTS AND LOOSE TOOLS

These are valued at the cost, determined on moving average basis except fuel which is determined on FIFO basis less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

3.5 STOCK-IN-TRADE

These are valued at the lower of cost and net realizable value. Cost is determined by applying the following basis:

Raw material	First in first out
Work-in-process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value

Raw material in transit is stated at invoice value plus other charges paid thereon up to the balance sheet date.

Average manufacturing cost in relation to work-in-process and finished goods consists of direct material, labour and a proportion of manufacturing overheads based on normal capacity.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

3.6 IMPAIRMENT

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

Where impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised recoverable amount but limited to the extent of carrying amount that would have been determined had no impairment loss been recognized in prior periods. Reversal of impairment loss is recognized as income.

3.7 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Financial instruments are initially recorded at fair value on the date a derivative contract is entered into and are re-measured to fair value at subsequent reporting dates.

The gain or loss relating to financial instruments is recognized immediately in the profit and loss account.

Particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

3.8 INVESTMENTS

At fair value through profit or loss account

These include investments designated at fair value through profit or loss account at inception. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

3.9 IMPAIRMENT OF FINANCIAL ASSETS

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

3.10 OFF SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

3.11 TRADE DEBTS AND OTHER RECEIVABLES

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

3.12 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, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

3.13 TRADE AND OTHER PAYABLES

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

3.14 EMPLOYEE BENEFITS

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the schemes on the basis of actuarial valuation and are charged to income. The assumptions are determined by independent actuaries after every three years.

The amount recognized in the balance sheet represents the present value of defined benefit obligations using the projected unit credit actuarial valuation method as adjusted for unrecognized actuarial gains and losses. Actuarial gains/ losses are recognized immediately i.e. in the period in which they arise.

Details of the schemes are given in note 8 to these financial statements.

The Company provides for compensated absences of its employees on un-availed balance of leaves in the period in which the leaves are earned.

3.15 PROVISIONS

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

3.16 REVENUE RECOGNITION

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

- Sales of goods are recognized when goods are delivered and title has been passed.
- Export rebate is recognized on accrual basis at the time of making the export sales.
- Profit on saving accounts is accrued on a time basis, by reference to the principal outstanding and at the effective profit rate applicable.

3.17 BORROWINGS

Loans and borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost is accounted for on an accrual basis and are included in mark-up accrued on loans to the extent of amount remaining unpaid, if any.

3.18 LEASES

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

Assets held under finance leases are recognized as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance cost and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance cost is charged to profit and loss account.

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

3.19 BORROWING COSTS

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

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

3.20 TAXATION

CURRENT

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum taxation as per Income Tax Ordinance, 2001. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

DEFERRED

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statements, except in the case of items credited or charged to equity in that case it is included in equity.

3.21 FOREIGN CURRENCIES

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in profit and loss account for the year.

3.22 DIVIDEND DISTRIBUTION

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

3.23 RELATED PARTY TRANSACTIONS

Transactions with related parties are carried out on commercial terms and conditions.

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2012	2011		2012	2011
Number of shares			------------- Rupees -------------	
		Ordinary shares of Rs. 10 each		
9,600,000	9,600,000	- fully paid in cash	**96,000,000**	96,000,000
8,880,000	8,880,000	- issued as bonus shares	**88,800,000**	88,800,000
18,480,000	18,480,000		**184,800,000**	184,800,000

4.1 There was no movement during the year in issued, subscribed and paid-up capital.

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

4.3 Following shares were held by associates of the Company as at balance sheet date:

	2012	2011
	Number of ordinary shares of Rs. 10 each	
Ellahi International (Private) Limited	**3,747,415**	3,747,415
ARH (Private) Limited	**1,678,242**	1,678,242
Monell (Private) Limited	**51,907**	51,907
ICARO (Private) Limited	**50,862**	50,862
Haroon Omer (Private) Limited	**50,857**	50,857
	5,579,283	5,579,283

5 CAPITAL RESERVE

This represents the difference between book value of shares held by the Company in Ellahi Electric Company Limited as at September 30, 2001 and breakup value of such shares, the value at which net assets and liabilities of Power Unit 3 of Ellahi Electric Company Limited were merged into Prosperity Weaving Mills Limited, at that date.

6 SURPLUS ON REVALUATION OF LAND	Note	2012	2011
		------------- Rupees -------------	
Balance at beginning and end of the year	14.3	**37,182,634**	37,182,634

		Note	2012	2011
			------------ Rupees ------------	
7	**LONG TERM FINANCES**			
	From banking companies - secured	**7.1**	**430,796,461**	639,931,669
	Less: current portion		**179,796,558**	209,135,208
			250,999,903	430,796,461

7.1 From banking companies - secured

	Nature	Interest	Security (Other terms and conditions)	Arrangements and repayment (Other terms and conditions)	2012	2011
7.1.1	Term finance	7.00% (2011: 7.00%) per annum payable quarterly.	First pari passu charge on fixed assets of the Company amounting to Rs. 472 million and personal guarantees of sponsor directors of the Company.	This facility had been converted to LTF-EOP Scheme of State Bank of Pakistan. The loan is repaid in eleven equal half yearly installments, excluding one year grace period, commenced from June 28, 2006.	**-**	72,727,268
7.1.2	Term finance	7.00% (2011: 7.00%) per annum payable quarterly.	Exclusive ranking charge of Rs. 60 million on gas power generator and first pari passu registered hypothecation charge on all present and future and floating fixed assets of the Company amounting to Rs. 175 million and personal guarantees of sponsor directors of the Company.	This facility had been converted to LTF-EOP Scheme of State Bank of Pakistan. The loan is repayable in twelve equal half yearly installments, commenced from January 4, 2010.	**31,653,415**	40,697,249
7.1.3	Term finance	7.00% (2011: 7.00%) per annum payable quarterly.	First pari passu charge on all present and future fixed assets including land, building, plant and machinery of the Company excluding power generation plant of the Company to the extent of Rs. 160 million and personal guarantees of sponsor directors of the Company.	This facility had been converted to LTF-EOP Scheme of State Bank of Pakistan. The facility has been provided by the bank in two tranches of Rs. 31.4 million and Rs. 54.3 million respectively. Tranches are repayable in sixteen equal quarterly installments, commenced from October 24, 2007 and November 23, 2007 respectively.	**5,357,294**	26,786,502
7.1.4	Term finance	Six months KIBOR plus 1.75% (2011: Six months KIBOR plus 1.75%) per annum payable semi annually.	First pari passu charge on fixed assets of the Company amounting to Rs. 334 million and personal guarantees of sponsor directors of the Company.	The loan is repayable in seven equal half yearly installments, commenced from May 15, 2010.	**71,428,570**	142,857,142

	Nature	Interest	Other terms and conditions: Security	Other terms and conditions: Arrangements and repayment	2012 Rupees	2011 Rupees
7.1.5	Term finance	Six months KIBOR plus 1.50% (2011: Six months KIBOR plus 1.50%) with a floor of 10.00% per annum payable semi annually.	First pari passu charge on all present and future fixed assets including land, building, plant and machinery of the Company excluding power generation plant of the Company to the extent of Rs. 160 million and personal guarantees of sponsor directors of the Company.	The loan is repayable in eight equal half yearly installments, commenced from December 28, 2009.	**30,000,000**	60,000,000
7.1.6	Term finance	11.20% (2011: 11.20%) per annum payable quarterly.	Existing first pari passu charge on all present and future fixed assets including land, building, plant and machinery of the Company excluding power generation plant of the Company to the extent of Rs. 692 million and personal guarantees of sponsor directors of the Company.	This facility had been converted to LTF-EOP Scheme of State Bank of Pakistan. The facility has been provided by the bank in two tranches of Rs. 40.53 million and Rs. 39.08 million. Tranches are repayable in 20 equal quarterly installments, commenced from April 18, 2012.	**75,638,893**	79,619,888
		Six months KIBOR Plus 2.00% (2011: six months KIBOR plus 2.00%) per annum payable quarterly.		The loan is repayable in 20 equal quarterly installments, commenced from April 18, 2012.	**9,981,289**	10,506,620
7.1.7	Term finance	Six months KIBOR plus 2.00% (2011: six months KIBOR plus 2.00%) per annum payable semi annually.	First pari passu charge on fixed assets of the Company amounting to Rs. 275.65 million and personal guarantees of sponsor directors of the Company.	The loan is repayable in nine equal half yearly installments, commencing from September 27, 2012.	**206,737,000**	206,737,000
					430,796,461	639,931,669

7.2 These facilities carry effective mark-up rate ranging from 7.00% to 15.78% (2011: 6.00% to 15.77%) per annum.

8 EMPLOYEES RETIREMENT BENEFITS

Amount obligation in respect of employee benefits is calculated using actuarial valuations which requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation. The assumptions are determined by independent actuaries after every three years. Latest actuarial valuation was carried out as at June 30, 2011.

		2012	2011
		------------ Rupees	------------
8.1	**Movement in net liability recognized in the balance sheet**		
	Balance at beginning of the year	**24,473,669**	4,219,756
	Add: cost for the year	**10,119,029**	30,242,724
	Less: payments during the year	**(5,689,406)**	(9,988,811)
	Balance at end of the year	**28,903,292**	24,473,669
8.2	**Balance sheet reconciliation as at balance sheet date**		
	Present value of defined benefit obligation	**28,903,292**	24,473,669
	Less: Net actuarial gains/(losses) not recognized	**-**	-
	Liability recognized in the balance sheet	**28,903,292**	24,473,669
8.3	**Cost for the year**		
	Current service cost	**6,732,155**	7,817,308
	Interest cost	**3,386,874**	590,766
	Actuarial loss recognized	**-**	21,834,650
	Expenses recognized in the profit and loss account	**10,119,029**	30,242,724

8.4	**Experience adjustments on obligation**	**2012**	**2011**	**2010**	**2009**	**2008**
		------------	------------	Rupees	------------	------------
	Defined benefit obligation	28,903,292	24,473,669	4,219,756	4,440,548	11,652,020
	Experience adjustment on plan liabilities	-	(21,834,650)	(1,687,085)	-	(6,130,713)

		2012	2011
8.5	**The principal actuarial assumptions used are as:**	------------ Rupees	------------
	Discount rate	**14.00%**	14.00%
	Expected rate of salary increase	**11.00%**	11.00%

9 DEFERRED TAXATION

The liability for deferred taxation comprises timing differences relating to:

	2012	2011
Taxable temporary differences		
Accelerated tax depreciation	**39,550,874**	44,093,357
Deductible temporary differences		
Provision for employee benefits - unfunded	**(3,672,680)**	(3,601,912)
	35,878,194	40,491,445

		Note	2012	2011
10	**SHORT TERM BORROWINGS**		------------ Rupees	------------
	From banking companies:			
	Finances against packing credit - foreign currency	**10.2**	**123,134,878**	65,182,500
	Running finance	**10.3**	**192,301,558**	2,176,729
	Book overdraft	**10.4**	**67,690,328**	9,971,273
			383,126,764	77,330,502

10.1 The aggregate un-availed short term borrowing facilities amount to Rs. 1,436 million (2011: Rs.1,689 million).

10.2 These foreign currency facilities amounting to US$ 1,307,165 (2011: US$ 750,000) have been obtained from various commercial banks for working capital requirements; carrying markup rate ranging from 2.05% to 3.00% (2011: 2.5% to 2.60%) per annum. These facilities expire on various dates by March 31, 2013.

10.3 These facilities have been obtained from various commercial banks for working capital requirements; carrying mark-up ranging from 12.01% to 15.29% (2011: 13.26% to 15.59%) per annum. These facilities expire on various dates by March 31, 2013.

10.4 This represents booked overdraft due to cheques issued by the Company in excess of balance with banks which will be presented for payment in subsequent period.

10.5 Short term borrowings are secured against ranking charge of Rs. 667 million (2011: Rs. 309 million) and first pari passu charge of Rs. 1,855 million (2011: Rs. 1,593 million) on all present and future current assets of the Company and personal guarantees of directors of the Company.

		Note	2012	2011
11	**ACCRUED INTEREST / MARK-UP**			
	On:			
	Long term finances		**15,053,171**	21,528,590
	Short term borrowings		**6,205,765**	3,421,070
			21,258,936	24,949,660
12	**TRADE AND OTHER PAYABLES**			
	Creditors		**55,653,828**	81,184,978
	Accrued liabilities		**77,557,818**	77,132,808
	Workers' profit participation fund	**12.1**	**5,735,044**	10,720,543
	Workers' welfare fund		**2,286,978**	2,592,458
	Advance from customers		**8,911,928**	9,383,327
	Unclaimed dividend		**2,507,081**	2,120,910
	Retention money		**613,036**	144,525
	Withholding tax payable		**293,786**	212,705
	Others		**21,017**	140,791
			153,580,516	183,633,045

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		Note	2012	2011
12.1	**Workers' Profit Participation Fund**		------------ Rupees ------------	
	Balance as at beginning of year		**10,720,543**	9,485,838
	Interest on funds utilized in the Company's business	**12.1.1**	**2,027,725**	1,584,655
			12,748,268	11,070,493
	Paid during the year		**(12,748,268)**	(11,070,493)
			-	-
	Allocation for the year		**5,735,044**	10,720,543
	Balance as at end of year		**5,735,044**	10,720,543

12.1.1 Interest on workers' profit participation fund has been provided @ 26.25% (2011:22.5%) per annum.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 For contingencies relating to tax matters, please refer note 33.2 to note 33.11 to the financial statements.

		2012	2011
13.1.2	Guarantees issued by banks in favor of Government departments on behalf of the Company in the normal course of business	**54,851,139**	59,799,500
	Post dated cheques	**24,467,057**	14,712,003
		79,318,196	74,511,503

13.2 Commitments

	2012	2011
Irrevocable letters of credit for:		
Capital expenditures	**17,893,500**	-
Non-capital expenditures	**20,928,048**	10,517,903
	38,821,548	10,517,903
Operating lease		
Payable within one year	**642,340**	1,740,972
Payable later than one year but not later than five years	**-**	286,493
	642,340	2,027,465
	39,463,888	12,545,368

14 PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
Operating fixed assets	**14.1**	**809,717,455**	854,247,116
Capital work in progress	**14.5**	**51,542,436**	18,572,387
		861,259,891	872,819,503

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14.1 Operating fixed assets

Description	COST / REVALUED AMOUNT				DEPRECIATION				Book value as at June 30, 2012	Annual rate of depreciation
	As at July 01, 2011	Additions / (disposals)	Transfers *	As at June 30, 2012	As at July 01, 2011	For the year / (on disposals)	Transfers *	As at June 30, 2012		
	Rupees									
Owned										
Freehold land (note 14.3)	39,390,000	-	-	39,390,000	-	-	-	-	39,390,000	
Building on freehold land										
Factory	111,424,726	10,549,280	-	121,974,006	70,898,388	4,150,443	-	75,048,831	46,925,175	10%
Residential	48,755,342	-	-	48,755,342	32,041,854	1,675,928	-	33,717,782	15,037,560	10%
Building on leasehold land	22,391,752	-	-	22,391,752	13,998,761	841,599	-	14,840,360	7,551,392	10%
Plant and machinery	1,653,481,777	1,740,000	-	1,654,286,257	940,773,206	71,587,586	-	1,011,659,175	642,627,082	10%
		(935,520)				(701,617)				
Electric installation	35,056,211	26,452,573	-	61,508,784	21,487,391	2,244,768	-	23,732,159	37,776,625	10%
Factory equipment	4,541,625	817,450	-	5,359,075	2,278,152	251,640	-	2,529,792	2,829,283	10%
Furniture and fixture	5,392,452	72,300	-	5,440,352	3,222,047	221,715	-	3,425,736	2,014,616	10%
		(24,400)				(18,026)				
Office equipment	5,635,544	143,650	-	5,779,194	3,489,210	223,363	-	3,712,573	2,066,621	10%
Arm and ammunition	165,700	-	-	165,700	91,561	7,434	-	98,995	66,705	10%
Vehicles	28,215,682	1,107,427	-	27,455,864	11,923,125	3,365,207	-	14,023,468	13,432,396	20%
		(1,867,245)	-			(1,264,864)				
June 30, 2012	**1,954,450,811**	**40,882,680**	**-**	**1,992,506,326**	**1,100,203,695**	**84,569,683**	**-**	**1,182,788,871**	**809,717,455**	
	-	**(2,827,165)**	**-**	**-**	**-**	**(1,984,507)**		**-**	**-**	

Description	COST / REVALUED AMOUNT				DEPRECIATION				Book value as at June 30, 2011	Annual rate of depreciation
	As at July 01, 2010	Additions / (disposals)	Transfers *	As at June 30, 2011	As at July 01, 2010	For the year / (on disposals)	Transfers *	As at June 30, 2011		
	Rupees									
Owned										
Freehold land (note 14.3)	39,390,000	-	-	39,390,000	-	-	-	-	39,390,000	
Building on freehold land										
Factory	111,424,726	-	-	111,424,726	66,395,461	4,502,927	-	70,898,388	40,526,338	10%
Residential	48,755,342	-	-	48,755,342	30,184,800	1,857,054	-	32,041,854	16,713,488	10%
Building on leasehold land	22,391,752	-	-	22,391,752	13,066,206	932,555	-	13,998,761	8,392,991	10%
Plant and machinery	1,567,202,510	89,319,603	-	1,653,481,777	870,080,826	72,582,638	-	940,773,206	712,708,571	10%
		(3,040,336)				(1,890,258)				
Electric installation	35,056,211		-	35,056,211	19,979,744	1,507,647	-	21,487,391	13,568,820	10%
Factory equipment	4,415,276	126,349	-	4,541,625	2,040,694	237,458	-	2,278,152	2,263,473	10%
Furniture and fixture	5,020,467	371,985	-	5,392,452	3,011,612	210,435	-	3,222,047	2,170,405	10%
Office equipment	5,470,394	165,150	-	5,635,544	3,259,745	229,465	-	3,489,210	2,146,334	10%
Arm and ammunition	165,700	-	-	165,700	83,323	8,238	-	91,561	74,139	10%
Vehicles	22,042,085	7,115,346	1,915,592	28,215,682	9,794,238	2,818,739	1,004,053	11,923,125	16,292,557	20%
	-	(2,857,341)	-		-	(1,693,905)			-	
	1,861,334,463	97,098,433	1,915,592	1,954,450,811	1,017,896,649	84,887,156	1,004,053	1,100,203,695	854,247,116	
	-	(5,897,677)	-	-	-	(3,584,163)	-	-	-	
Subject to finance lease										
Vehicles	1,915,592	-	(1,915,592)	-	953,835	50,218	(1,004,053)	-	-	20%
	1,915,592	-	(1,915,592)	-	953,835	50,218	(1,004,053)	-	-	
June 30, 2011	1,863,250,055	97,098,433	-	1,954,450,811	1,018,850,484	84,937,374	-	1,100,203,695	854,247,116	
	-	(5,897,677)	-	-	-	(3,584,163)	-	-	-	

* Represents transfer of cost and accumulated depreciation of assets subject to finance lease to owned assets on maturity of the lease term.

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14.2 The depreciation charge for the year has been allocated as follows:

	Note	2012	2011
		------------- Rupees -------------	
Cost of sales	27	**80,751,963**	81,620,279
Administrative expenses	29	**3,817,720**	3,317,095
		84,569,683	84,937,374

14.3 The revaluation of the free hold land was carried out by "Indus Surveyors (Private) Limited", independent valuers not connected with the Company as at March 09, 2009. Latest revaluation was also conducted by "Indus Surveyors (Private) Limited", independent valuers not connected with the Company as at May 08, 2012. The value of the free hold land is ascertained according to the local market value.

Had there been no revaluation, the cost of the land would have been as follows:

	2012	2011
Free hold land	**2,207,366**	2,207,366

14.4 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	-------- Rupees --------						
Plant and machinery							
Two cloth inspection machines	158,000	97,709	60,291	64,000	3,709	Negotiation	Al-Madina Engineering Works
Vehicles							
Suzuki Cultus LEB-5195	638,531	388,794	249,737	365,000	115,263	Negotiation	Mr. Ali Haider Khan
Suzuki Cultus LWB-5149	620,664	434,007	186,657	275,000	88,343	Negotiation	Mr. Sohail Mushtaq Malik
Suzuki Cultus LZE-6750	566,100	442,063	124,037	225,000	100,963	Negotiation	Mr. Ali Waqas
Others							
Aggregate of other items of property, plant and equipment with individual book value not exceeding Rs. 50,000	843,870	621,934	221,936	369,000	147,064	Negotiation	
2012	**2,827,165**	**1,984,507**	**842,658**	**1,298,000**	**455,342**		
2011	5,897,677	3,584,163	2,313,514	3,039,000	725,486		

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			2012	2011
14.5	**Capital work in progress**	**Note**	**------------- Rupees**	**-------------**
	Plant and machinery		**38,937,845**	16,036,599
	Civil work		**-**	2,535,788
	Advances for plant and machinery		**12,604,591**	-
			51,542,436	18,572,387

15 LONG TERM DEPOSITS

Balance at beginning of the year		**224,500**	224,500
Add: paid during the year		**15,032,600**	-
		15,257,100	224,500
Less: refunded during the year		**41,950**	-
Balance at end of the year		**15,215,150**	224,500

15.1 These include interest free refundable deposits given to various Government agencies and Central Depository Company of Pakistan Limited.

16 STORES, SPARE PARTS AND LOOSE TOOLS

Stores		**40,397,016**	44,835,228
Spare parts		**263,615**	314,485
Loose tools		**710,537**	16,968
		41,371,168	45,166,681

17 STOCK-IN-TRADE

Raw material		**143,108,095**	65,252,809
Work-in-process		**78,121,186**	66,715,637
Finished goods		**121,718,813**	215,396,708
		342,948,094	347,365,154

18 TRADE DEBTS

Considered good:			
Local - unsecured		**132,261,672**	105,419,266
Foreign - secured	**18.1**	**141,057,438**	125,955,866
		273,319,110	231,375,132

18.1 These are secured through letters of credit.

19 ADVANCES

Advances - considered good			
Suppliers - unsecured		**9,205,156**	13,574,937
Staff - secured	**19.1**	**1,093,865**	939,177
Letters of credit	**19.2**	**2,472,343**	825,435
		12,771,364	15,339,549

19.1 These are interest free advances to employees, other than executives, against salaries and repayable within one to six months.

19.2 These include expenses incurred in respect of letters of credit for spare parts and raw material.

		Note	2012	2011
			------------ Rupees ------------	
20	**SHORT TERM PREPAYMENTS**			
	Prepaid insurance		**1,142,139**	862,660
	Prepaid rent		**183,336**	183,336
	Prepaid guarantee commission		**207,138**	441,182
			1,532,613	1,487,178
21	**OTHER RECEIVABLES**			
	Export rebate receivable		**2,732,541**	1,497,480
	Sundry receivables - unsecured		**175,406**	172,128
			2,907,947	1,669,608
22	**SHORT TERM INVESTMENTS**			
	Investment at fair value through profit or loss:			
	Nil (2011: 904,434) units of NIT		**-**	10,054,498
	783 (2011: Nil) units of UBL Liquidity Plus Fund		**78,562**	-
			78,562	10,054,498

23 SALES TAX REFUNDABLE

This represents accumulated differences of input tax on purchases and output tax payable.

		Note	2012	2011
24	**ADVANCE INCOME TAX**			
	Balance at beginning of the year		**10,158,778**	21,495,290
	Paid during the year		**43,417,155**	43,771,778
			53,575,933	65,267,068
	Provision for taxation		**(35,258,973)**	(55,108,290)
	Balance at end of the year		**18,316,960**	10,158,778
25	**BANK BALANCES**			
	Current accounts		**56,064,576**	351,305
	Saving accounts	25.1	**64,729**	53,033
			56,129,305	404,338

25.1 These include Rs. 45,277 (2011: Rs. 40,876) in foreign currency saving account. Saving accounts carry mark-up ranging from 1% to 6% (2011: 1% to 5%) per annum.

26 SALES - NET

	Local	Export	2012 Total	2011 Total
	---------------- Rupees ----------------			
Weaving				
Cloth (note 26.1)	**1,548,262,068**	**3,784,126,165**	**5,332,388,233**	5,683,907,231
Yarn	**1,915,980**	**-**	**1,915,980**	16,663,183
Waste	**46,744,007**	**-**	**46,744,007**	44,849,210
	1,596,922,055	**3,784,126,165**	**5,381,048,220**	5,745,419,624
Add: Export rebate	**-**	**1,185,450**	**1,185,450**	840,579
	1,596,922,055	**3,785,311,615**	**5,382,233,670**	5,746,260,203
Power				
Electricity	**-**	**-**	**-**	205,872,913
	1,596,922,055	**3,785,311,615**	**5,382,233,670**	5,952,133,116

26.1 Cloth export sales includes indirect exports, taxable under section 154(3B) of the Income Tax Ordinance, 2001, amounting to Rs. 468,567,700 (2011: Rs. 1,064,285,700).

27 COST OF SALES

	Note	2012	2011
		------------ Rupees ------------	
Raw material consumed	**27.1**	**4,068,183,686**	4,563,740,035
Fuel and power		**390,913,178**	476,933,977
Salaries, wages and benefits	**27.2**	**174,622,927**	187,443,524
Stores and spares consumed		**68,989,580**	81,413,508
Sizing material consumed		**87,470,073**	83,429,217
Depreciation	**14.2**	**80,751,963**	81,620,279
Packing material consumed		**15,810,656**	14,361,968
Insurance		**8,167,538**	9,901,639
Repairs and maintenance		**7,949,643**	7,048,136
Electricity duty		**2,578,505**	3,063,047
Vehicles running and maintenance		**5,473,006**	3,810,568
Ijarah rentals		**1,185,829**	1,137,346
Traveling and conveyance		**294,841**	291,581
Lease rentals-land	**27.3**	**275,000**	275,000
Fee and subscription		**198,902**	270,616
Entertainment		**1,148,281**	1,468,381
Others	**27.4**	**2,147,186**	2,655,854
		4,916,160,794	5,518,864,676
Work-in-process - at beginning of year		**66,715,637**	56,774,793
At end of year	**17**	**(78,121,186)**	(66,715,637)
		(11,405,549)	(9,940,844)
		4,904,755,245	5,508,923,832
Finished stocks - at beginning of year		**215,396,708**	166,661,925
Cloth purchased		**9,106,625**	8,405,385
At end of year	**17**	**(121,718,813)**	(215,396,708)
		102,784,520	(40,329,398)
		5,007,539,765	5,468,594,434

		Note	2012	2011
			------------ Rupees ------------	
27.1	**Raw material consumed**			
	At beginning of year		**65,252,809**	176,214,711
	Purchases - net		**4,146,038,972**	4,452,778,133
			4,211,291,781	4,628,992,844
	At end of year	**17**	**(143,108,095)**	(65,252,809)
			4,068,183,686	4,563,740,035

27.2 Staff salaries, wages and benefits include employee benefits amounting to Rs. 8,995,811 (2011: Rs. 29,648,772).

27.3 The Company has obtained land under operating lease arrangement from Nagina Cotton Mills Limited, ("a related party") for two years starting from March 01, 2011 and ending on February 28, 2013 against annual rental of Rs. 275,000 (2011: 275,000).

27.4 This includes Rs. Nil (2011: Rs. 1.82 million) relating to advances written off during the year.

		Note	2012	2011
28	**DISTRIBUTION COST**			
	Export			
	Ocean freight and forwarding		**20,532,235**	24,746,882
	Transportation and octroi		**21,255,468**	15,383,477
	Export development surcharge		**8,300,891**	8,172,299
	Commission		**30,142,080**	41,961,980
	Quality claims		**668,480**	426,017
			80,899,154	90,690,655
	Local			
	Freight, handling and transportation		**4,597,802**	4,365,942
	Commission		**11,591,166**	13,186,509
	Others		**5,104,825**	3,208,207
			21,293,793	20,760,658
			102,192,947	111,451,313
29	**ADMINISTRATIVE EXPENSES**			
	Staff salaries and benefits	**29.1**	**20,146,163**	17,199,301
	Traveling and conveyance		**6,466,495**	5,826,555
	Directors' remuneration		**3,814,916**	3,370,554
	Vehicles running and maintenance		**3,114,594**	3,226,671
	Depreciation	**14.2**	**3,817,720**	3,317,095
	Insurance		**1,737,253**	1,579,435
	Telephone, telex and postage		**1,685,166**	1,545,231
	Electricity		**2,549,782**	1,376,510
	Fee and subscription		**1,490,117**	863,756
	Auditors' remuneration	**29.2**	**1,285,000**	785,000
	Printing and stationery		**714,620**	545,792
	Legal and professional charges		**1,964,525**	450,400
	Lease rentals	**29.3**	**480,000**	480,000
	Repairs and maintenance		**128,403**	327,807
	Directors' meeting fee		**90,000**	120,000
	Advertising		**85,627**	58,911
	Others		**552,516**	419,595
			50,122,897	41,492,613

29.1 Staff salaries and benefits include employee benefits amounting to Rs. 1,123,217 (2011: Rs. 593,952).

		Note	2012	2011
29.2	**Auditors' remuneration**		------------- Rupees	-------------
	Annual statutory audit		**1,000,000**	500,000
	Half yearly review		**125,000**	125,000
	Review report on code of corporate governance		**85,000**	85,000
	Out of pocket expenses		**75,000**	75,000
			1,285,000	785,000

29.3 The Company has obtained an office space from Nagina Cotton Mills Limited, ("a related party") against rental of Rs. 480,000 per annum, payable quarterly.

		Note	2012	2011
30	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund	**12.1**	**5,735,044**	10,720,543
	Workers' welfare fund		**796,257**	2,592,458
	Loss on forward contracts		**47,022**	-
	Donations	**30.1**	**200,000**	525,000
	Exchange loss		**4,234,179**	1,760,356
			11,012,502	15,598,357

30.1 No director or his spouse had any interest in the donee institution.

		Note	2012	2011
31	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Gain on sale of short-term investments		**3,391,302**	2,909,736
	Un-realized gain on re-measurement of short-term investments		**3,357**	43,936
	Gain on interest rate swapping		**-**	726,685
	Profit on saving accounts		**21,810**	97,286
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment	**14.4**	**455,342**	725,486
			3,871,811	4,503,129
32	**FINANCE COST**			
	Mark-up on:			
	Long term finances from banking companies		**73,360,711**	83,507,183
	Long term finances from directors		**-**	3,118,093
	Liabilities against assets subject to finance lease		**-**	106,480
	Short term borrowings		**19,341,639**	19,187,105
	Workers' profit participation fund		**2,027,725**	1,584,655
			94,730,075	107,503,516
	Bank charges and commission		**12,337,721**	13,593,147
			107,067,796	121,096,663
	Less: included in the cost of qualifying assets		**-**	2,694,997
			107,067,796	118,401,666

		2012	2011
33	**PROVISION FOR TAXATION**	------------- Rupees -------------	
	Current	**54,149,948**	57,896,009
	Prior	**(18,890,975)**	(2,787,719)
		35,258,973	55,108,290
	Deferred	**(4,613,251)**	7,383,598
		30,645,722	62,491,888

		2012	2011
33.1	**Numerical reconciliation between the average effective tax rate and applicable tax rate**	---------------- % ----------------	
	Applicable tax rate	**35.00**	35.00
	Tax effects of amounts that are:		
	Effect of income changeable at different tax rates	**(45.87)**	(2.53)
	Adjustments of prior years	**(17.46)**	(1.39)
	Average effective tax rate	**(28.33)**	31.08

33.2 Income tax assessments upto assessment year 2002-2003 had been finalized under the relevant provision of repealed Income Tax Ordinance, 1979 ('Repealed Ordinance').

33.3 For Tax Year 2003

The company’s case was selected for audit by the department for tax year 2003 in terms of section 177 of the Income Tax Ordinance (‘Ordinance’) vide letter dated November 13, 2006. The audit proceeding concluded by the department through order dated September 29, 2008 passed under section 122(1)/122(5) of the Ordinance, raising a tax demand of Rs. 13,543,537 by making certain disallowances / additions out of the profit and loss account. The company filed an appeal before the Commissioner Inland Revenue (Appeals) [‘CIR(A)’] against this order. However, the CIR(A), through order, dated June 13, 2009 partially allowed relief to the company. Both the company and the department filed the appeals before the Appellate Tribunal Inland Revenue (‘ATIR’).

The department has, however, given the effect of the above referred appellate order through order dated September 30, 2009, reducing the impugned demand to Rs. 5,388,661. No provision has been made in these financial statements as the management is confident that the ultimate outcome of this case will be in favour of the Company.

33.4 For Tax Year 2004

The deemed assessment has been amended under section 122(5A) of the Ordinance, through order, dated June 10, 2010, passed by the Additional Commissioner Inland Revenue, Audit Division - B, Large Taxpayers Unit (‘ACIR’), working out taxable income at Rs. 1,999,685 and tax refundable at Rs. 2,239,067.

The Company has filed an appeal against this order before CIR(A) against disputed issues in the impugned order. The CIR(A), through order dated June 15, 2011, accepted the company's appeal on all the issues except the issue of treatment of export rebate as part of turnover which has not been adjudicated by the CIR(A). The company also filed an appeal before the ATIR against the impugned order of CIR(A) which is pending for adjudication. The company has also filed an application to the department for the issuance of the appeal effect order which has not yet been disposed off.

33.5 For Tax Year 2005

The deemed assessment was amended by the Additional Commissioner Inland Revenue, Audit Division - A, Large Taxpayers Unit, Lahore, through order dated May 3, 2011, under section 122(5A) of the Ordinance. As a result, the taxable income was determined at Rs. 3,862,046 and tax refundable at Rs. 1,262,056. This tax refund was subsequently adjusted by the department against advance tax liability of tax year 2012 for issuance of exemption certificate under section 153 of the Ordinance through adjustment memo dated July 18, 2011.

The Company has filed an appeal against the above referred amended assessment order before CIR(A) which is pending for adjudication. No provision has been made in these financial statements as the management is confident that the ultimate outcome of this case will be in favour of the Company.

33.6 For Transitional Tax Year 2005

The deemed assessment was amended by the Additional Commissioner Inland Revenue, Audit Division - A, Large Taxpayers Unit, Lahore, through order dated May 3, 2011, under section 122(5A) of the Ordinance. As a result, the taxable income was determined at Rs. 3,347,682 and tax payable at Rs. 1,174,826. The tax demand raised through the aforementioned order has been adjusted by the department against tax refund available from tax year 2007 through adjustment memo dated July 14, 2011.

The company has filed an appeal against the above referred order before CIR(A) which is pending for adjudication. No provision has been made in these financial statements as the management is confident that the ultimate outcome of this case will be in favour of the Company.

33.7 For Tax Year 2006

The deemed assessment was amended under section 122(5A) of the Ordinance, through order, dated June 26, 2012, passed by the ACIR, working out taxable income at Rs. 10,321,934 and tax payable at Rs. 2,886,300.

The company has filed an appeal against the above referred amended assessment order before CIR(A) dated July 26, 2012 which is pending for adjudication. No provision has been made in these financial statements as the management is confident that the ultimate outcome of this case will be in favour of the Company.

33.8 For Tax year 2007

Pursuant to application for rectification filed by the Company on September 16, 2010, a rectification order under section 221 of the Ordinance dated July 14, 2011 has been passed by the Deputy Commissioner Inland Revenue, Enforcement - 08, Zone - III, Large Taxpayers Unit, Lahore ('DCIR'). As a result, the tax refund was determined at Rs. 3,947,997 which has subsequently been adjusted against the tax demand of transitional tax year 2005 and advance tax liability for tax year 2012.

The department also initiated the withholding tax compliance proceedings under section 161/205 of the Ordinance, through notice dated May 21, 2010 whereby the company has been required to submit a reconciliation statement as per Rule 44(4) of the Income Tax Rules, 2002. In this connection, the reconciliation along with supporting documents was submitted to the DCIR . The proceedings have not yet been concluded by the DCIR.

33.9 For Tax year 2008

The department initiated the withholding tax compliance proceedings under section 161/205 of the Ordinance, through notice dated May 21, 2010 whereby the company has been required to submit a reconciliation statement as per Rule 44(4) of the Income Tax Rules, 2002. In this connection, the reconciliation in the requisite format along with underlying documents was submitted to the DCIR. The proceedings have not yet been concluded by the DCIR.

33.10 For Tax year 2010

A show cause notice has been issued by the DCIR, Audit-03, Zone-III, Large Taxpayers Unit, Lahore on May 25, 2011, whereby, the company has been required to explain its position regarding charge of minimum tax liability and refund adjustment claimed in the return of income. The company has replied to the notice on May 31, 2011.

33.11 For Tax Year 2011

The department initiated the withholding tax compliance proceedings under section 161/205 of the Ordinance, through notice dated May 28, 2012 whereby the company was required to submit a reconciliation statement as per Rule 44(4) of the Rules. In this connection, the reconciliation in the requisite format along with underlying documents was submitted to the DCIR. The proceedings have not yet been concluded by the DCIR.

34 EARNINGS PER SHARE - BASIC AND DILUTED

The calculation of the basic earnings per share is based on the following data:	**2012**	**2011**
Profit after taxation for the year **- (Rupees)**	**77,523,852**	138,605,974
Number of shares outstanding	**18,480,000**	18,480,000
Earnings per share - Basic **- (Rupees)**	**4.20**	**7.50**

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

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Director		Executives	
	2012	**2011**	**2012**	**2011**
	Rupees			
Remuneration	**2,539,200**	2,208,000	**4,276,000**	3,579,996
Meeting fee	**90,000**	120,000	**-**	-
House rent	**634,800**	552,000	**-**	-
Utilities	**640,916**	610,554	**-**	-
Gratuity	**-**	-	**664,110**	619,726
Other allowances	**-**	-	**2,138,000**	1,790,004
	3,904,916	3,490,554	**7,078,110**	5,989,726
Number of persons	**3**	4	**4**	4

35.1 No remuneration has been paid to Chief Executive of the Company.

35.2 In addition to above, the Directors have been provided with free use of the Company maintained cars.

35.3 All remuneration, meeting fee, house rent and utilities have been paid to non-executive directors of the Company.

36 DIVIDEND

In respect of current year, the board of directors proposed to pay cash dividend @ Rs. 2.50 per ordinary share of Rs. 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements.

37 SEGMENT REPORTING

In last year the Company had two operating segments; Weaving and Power. In March 2011, the agreement of the Company with LESCO for supply of electricity was expired which was not renewed by LESCO. Currently the Company is using its power house for in-house power utilization only. Whole current year operations are relevant to Weaving. Therefore no segment reporting disclosure have been made in the current year financial statements and prior period amounts in relation to sale and cost of sale of electricity has been reported on net basis in other operating income.

38 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

Liquidity risk

Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

38.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating activities primarily for local trade debts, sundry receivables and other financial assets.

The Company does not hold collateral as security.

The Company's credit risk exposures are categorized under the following headings:

38.1.1 Counterparties

The Company conducts the following major types of the transactions with the counterparties:

Trade debts

Trade debts are essentially due from local customers against sale of cloth and electricity and from foreign customers against supply of cloth and the Company does not expect these counterparties to fail to meet their obligations. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit evaluation. Outstanding customer receivables are regularly monitored and shipments to customers are generally covered by letters of credit.

Banks and investments

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a good credit rating. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

38.1.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2012	2011
	------------- Rupees	-------------
Trade debts - local	**132,261,672**	105,419,266
Advances to suppliers, unsecured - considered good	**9,205,156**	13,574,937
Other receivables	**175,406**	172,128
Other financial assets	**78,562**	10,054,498
Bank balances	**56,129,305**	404,338
	197,850,101	129,625,167

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Cloth - local	**132,261,672**	105,419,266

There is no single significant customer in the trade debts of the Company.

The maximum exposure to credit risk for trade debts at the reporting date by type of product was:

Textile	**132,261,672**	105,419,266

Ageing analysis of trade debts subject to credit risk

1 to 90 days	**131,635,210**	105,419,266
91 to 180 days	**-**	-
180 days and above	**626,462**	-
	132,261,672	105,419,266

38.1.3 Impairment losses

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

38.2 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Included in note 10.1 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

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38.2.1 Liquidity and interest risk table

The following table detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term finances agreements based on the earliest date on which the Company can be required to pay.

For effective markup rate please see note 7.2, 10.2 and note 10.3 to these financial statements.

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

	Carrying amount	
	2012	**2011**
	------------- Rupees -------------	
Trade and other payables		
Maturity upto one year	**153,580,516**	183,633,045
Short term borrowings		
Maturity upto one year	**383,126,764**	77,330,502
Long term finances		
Maturity upto one year	**179,796,558**	209,135,208
Maturity after one year and upto five years	**250,999,903**	418,853,512
Maturity after five years	**-**	11,942,949
	967,503,741	900,895,216

38.3 Market risk

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

38.3.1 Foreign currency risk management

Pak Rupee (PKR) is the functional currency of the Company and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprise;

- **Transactional exposure in respect of non functional currency monetary items**

  Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

- **Transactional exposure in respect of non functional currency expenditure and revenues**

  Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy.

Exposure to foreign currency risk

The Company's net exposure to foreign currency risk was as follows based on notional amounts:

	2012	**2011**
	------------- USD -------------	
Short term borrowings	**(1,307,165)**	(759,260)
Trade debts	**1,500,611**	1,467,162
Cash and bank balances	**479**	471
	193,925	708,373

Commitments outstanding at year end amounted to USD 186,634 (2011: USD 122,515) and EURO 179,246 (2011: Nil) relating to letter of credits for import of stores, spare parts and raw material.

Sensitivity analysis

At June 30, 2012, if the Rupee had weakened / strengthened by 5% against US dollar with all other variables held constant, the Company's profit for the year would have decreased / increased by Rs. 913,387 (2011: decreased / increased by Rs. 3,040,691) mainly as a result of foreign exchange gains / losses on foreign currency transactions.

38.3.2 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

Profile

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

Fixed rate instruments	**2012**	**2011**	**2012**	**2011**
	-------------% -------------		------------- Rupees -------------	
Financial assets	-	-	**-**	-
Financial liabilities				
Long term finances	**7.00%**	7.00%	**37,010,709**	140,211,019
	11.20%	11.20%	**75,638,893**	79,619,888
			(112,649,602)	(219,830,907)

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 and loss account therefore, a change in interest rate would not affect profit or loss account.

Floating rate instruments	**2012**	**2011**	**2012**	**2011**
	-------------% -------------		------------- Rupees -------------	
Financial assets				
Bank balances	**1.00 % to 6.00%**	1.00 % to 5.00%	**64,729**	53,033
Financial liabilities				
Long term finances	**13.52% to 15.78%**	13.87% to 15.77%	**318,146,859**	420,100,762
Short term borrowings	**2.05% to 15.29%**	2.5% to 15.15%	**383,126,764**	77,330,502
			(701,208,894)	(497,378,231)

Fair value sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Company’s profit before tax (through the impact on floating rate borrowings). There is only an immaterial impact on the Company’s equity.

	Increase / (decrease) in basis points	**Decrease / (increase) of profit**
	Points	**Rupees**
2012	+ (-) 20	**14,025,472**
2011		9,948,625

38.3.3 Equity price risk management

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the balance sheet date, the exposure to unlisted equity securities at fair value was Rs. Nil.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 79 thousand.

38.3.4 Other price risk

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

38.4 Determination of fair values

Fair value of financial instruments

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

The financial instrument, if any, that are not traded in active market are carried at cost and are tested for impairment according to IAS 39.

The carrying amount less impairment provision, if any, of trade receivables and payables and financial liabilities are assumed to approximate to their fair values.

38.5 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At fair value through profit and loss account	Level 1	Level 2	Level 3
	……………………………………Rupees……………………	………………	
Quoted securities	78,562	-	-

38.6 CAPITAL RISK MANAGEMENT

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

The Company manages its capital structure which comprises capital and reserves 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, appropriation of amounts to capital reserves or/and issue new shares.

	2012	2011
	------------ Rupees ------------	
Total borrowings	**813,923,225**	717,262,171
Less: Cash and bank balance	**56,129,305**	404,338
Net debt	**757,793,920**	716,857,833
Total Equity	**560,826,846**	547,982,994
Total capital	**1,318,620,766**	1,264,840,827
Gearing ratio	**57.47%**	56.68%

39 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, directors of the company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties.

Amounts due from and to related parties are shown under receivables and payables and remuneration of directors and key management personnel is disclosed in note 35.

Other significant transactions with related parties are as follows:

Nature of relation	Nature of transactions	2012	2011
		------------ Rupees ------------	
Associated company	Purchase of goods and services	**1,198,443,431**	762,072,984
	Sale of goods and services	**58,300**	13,448,500
	Dividend paid	**19,527,491**	19,104,192
Key management personnel	Repayment to directors against loan	**-**	90,000,000
	Payment of dividend to directors and their close family members	**37,131,003**	29,583,585
	Mark-up paid on loan from directors	**-**	3,118,093
	Remuneration and other benefits	**3,904,916**	3,490,554
Employee benefits plan	Payment made during the year	**5,689,406**	9,988,811

40 PLANT CAPACITY AND ACTUAL PRODUCTION

	2012	2011
Weaving		
Air Jet Looms installed	**340**	340
Installed capacity at 50 Picks (meters)	**59,301,885**	59,301,885
Actual production (meters)	**45,711,444**	41,787,697
Actual production after conversion into 50 Picks (meters)	**58,971,629**	55,016,497

The difference between installed capacity and actual production is in normal course of business.

NAGINA
NAGINA GROUP

41 CASH GENERATED FROM OPERATIONS

	2012	2011
	------------ Rupees ------------	
Profit before taxation	**108,169,574**	201,097,862
Adjustments for:		
Depreciation of property, plant and equipment	**84,569,683**	84,937,374
Provision for employee benefits - unfunded	**10,119,029**	30,242,724
Gain on disposal of property, plant and equipment	**(455,342)**	(725,486)
Gain on sale of short term investments	**(3,391,302)**	(2,909,736)
Un-realized gain on re-measurement of short-term investments	**(3,357)**	(43,936)
Finance cost	**107,067,796**	118,401,666
Exchange loss	**4,234,179**	1,760,356
Profit on deposits	**(21,810)**	(97,286)
	310,288,450	432,663,538
Changes in working capital		
Decrease / (increase) in:		
Stores, spare parts and loose tools	**3,795,513**	(11,070,764)
Stock-in-trade	**4,417,060**	50,795,791
Trade debts	**(42,035,465)**	(128,967,045)
Advances	**2,568,185**	(4,238,120)
Short-term prepayments	**(45,435)**	(843,202)
Other receivables	**(1,238,339)**	(344,210)
Decrease in:		
Trade and other payables	**(30,438,700)**	(3,012,519)
	(62,977,181)	(97,680,069)
Cash generated from operations	**247,311,269**	334,983,469

42 RE-ARRANGEMENT AND RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison. Significant reclassifications made are as follows:

From	To	Reason	Amount Rupees
Stock in trade - fuel	Stores, spare parts and loose tools	"For better presentation"	**11,701,581**
Administrative expense - entertainment	Cost of sale - entertainment	"For better presentation"	**1,148,281**

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on September 27, 2012.

44 GENERAL

The figures have been rounded off to the nearest Rupee.

Lahore: September 27, 2012

Javaid Bashir Sheikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

FORM OF PROXY

The Secretary,
PROSPERITY WEAVING MILLS LTD.
Nagina House
91-B-1, M.M. Alam Road,
Gulberg-III,
Lahore-54660.

I/We ____ of _______________ being member(s) of **PROSPERITY WEAVING MILLS LTD.,** and holder of ________________ Ordinary Shares as per Share Register Folio No. _________ (In case of Central Depository System Account Holder A/c No. ______________ Participant I.D. No. ____________________) hereby appoint ____________________________________ of _______________ who is member of the Company as per Register Folio No. __________________ (In case of Central Depository System Account Holder A/c No. _____________ Participant I.D. No. ________________________) or failing him/her ____ of _______________ who is member of the Company as per Register Folio No. __________________ (In case of Central Depository System Account Holder A/c No. ______________ Participant I.D. No.______________) as my/our proxy to vote for me/us and on my/our behalf at the 21st Annual General Meeting of the Company to be held on October 24, 2012 and at any adjournment thereof.

affix Rs. 5/= Revenue Stamp

(Signature should agree with the
Specimen signature registered
with the Company)

Signed at __________________ this the _____________ day of __________________ 2012

NOTE:

1. If a member is unable to attend the meeting, he/she may sign this form and send it to the Secretary so as to reach him not less than 48 hours before the time of holding the meeting.

2. Members through CDC appointing proxies must attach attested copy of their Computerized National Identity Card (CNIC) with the proxy form.

3. The Shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original CNIC with copy thereof duly attested by their Bankers, Account number and Participant I.D number for identification purpose.

4. In case of corporate entity, certified copy of the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.