Jubilee Spinning & Weaving Mills Ltd.

Annual Report 2012

Contents

1. Company information 2

2. Notice of Annual General Meeting 3

3. Director's Report to the Shareholders 5

4. Key Operating & Financial Ratios....................7

5. Chief Executive Review 8

5. Vision Statement & Mission Statement 9

6. Statement of compliance with the Code of Corporate Governance 10

7. Review Report of the Members on Statement of Compliance with the best practices of Code of Corporate Governance 12

8. Auditors Report to the Members 13

9. Balance Sheet 14

10. Profit & Loss Account 16

11. Statement of Comprehensive Income 17

12. Cash Flow Statement 18

13. Statement of Changes in Equity 19

14. Notes to the Accounts 20

15. Pattern of Shareholding 57

16. Form of Proxy ....enclosed

Company Information

Board of Directors

Mr. Shams Rafi	(Chief Executive)
Mr. Shaukat Shafi	
Mr. Ahmed Shafi	
Mr. Salman Rafi	
Mr. Umer Shafi	
Mr. Abdullah Zakaria	
Mr. Muhammad Arshad	

Audit Committee

Mr. Shaukat Shafi	(Chairman)
Mr. Salman Rafi	(Member)
Mr. Abdullah Zakaria	(Member)

Company Secretary

Mr. Masood A. Sheikh

Auditors

Riaz Ahmed & Company
Chartered Accountants

Legal Advisor

Ghani Law Associate
Mr. Anser Mukhtar

Bankers

Habib Bank Limited
National Bank of Pakistan
Bank Al-Habib Limited
Standard Chartered Bank (Pakistan) Limited
Habib Metropolitan Bank Limited
NIB Bank Limited
Emirates Global Islamic Bank Limited
Faysal Bank Limited
United Bank Limited
Allied Bank Limited

Registered Office

40-A, Zafar Ali Road, Gulberg-V,
Lahore, Pakistan.

Mills

B-28, Manghopir Road, S.I.T.E
Karachi.

Notice of Annual General Meeting

Notice is hereby given that the 39th Annual General Meeting of the shareholders of Jubilee Spinning & Weaving Mills Limited will be held on Wednesday the October 31, 2012 at 10:00 a.m. at the Registered Office of the Company at 40-A, Off Zafar Ali Road, Gulberg-V, Lahore to transact the following business:-

A. Ordinary Business

1. To confirm the minutes of 38th Annual General Meeting of the shareholders held on Ocober 31, 2011.
2. To receive, consider and approve the audited accounts of the company for the year ended June 30, 2012 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors of the company and fix their remuneration for the year ending June 30, 2013. The present Auditors M/s. Riaz Ahmad & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

B. Special Business

4. To seek the consent of shareholders for transmission of quarterly accounts through website in compliance with Section 245 of the Companies Ordinance, 1984 and Securities and Exchange Commission of Pakistan's Circular # 19 of 2004 and if deemed fit, with or without modification pass the resolution as an ordinary resolution.

C. General Business

5. To transact any other business with permission of the Chairman.

By Order of The Board

Masood A. Sheikh
Corporate Secretary

Registered Office:
40-A, Off: Zafar Ali Road, Gulberg-V, Lahore:
T # (042) 111-245-245
F # (042) 111-222-245
Dated: October 08, 2012

Notes:

1. The Members' Register will remain closed from October 20, 2012 to October 31, 2012 (both days inclusive). Physical / CDC transfers received at the Registered Office of the Company by the close of business on October 19, 2012.
2. A member eligible to attend and vote in this meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time for holding the meeting.
3. Shareholders are requested to immediately notify the change in address, if any.
4. CDC account holders will further have to follow the guidelines as laid down in circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:

   a. For attending the meeting:
      - i). In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
      - ii). In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting

   b. For Appointing Proxies
      - i). In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
      - ii). The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
      - iii). Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
      - iv). The proxy shall produce his original CNIC or original passport at the time of the Meeting.
      - v). In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the company.

Statement under section 160(1)(b) of the Companies Ordinance, 1984.

1. This statement sets out the material facts concerning the Special Business, given in agenda item # 4 (Placement of Quarterly accounts on Website) to be transacted at the Annual General Meeting of the company to be held on October 31, 2012.

2. The Securities & Exchange Commission of Pakistan (SECP) vide Circular # 19 of 2004 has allowed the listed Companies to place the quarterly accounts on their websites instead of sending the same to each shareholder by post. We appreciate this decision which would ensure prompt disclosure of information to the shareholders, besides saving of costs associated with printing and dispatch of the accounts by post.

3. The Company is maintaining a website www.jsw.com.pk. Prior permission of the Securities & Exchange Commission of Pakistan would be sought for transmitting the quarterly accounts through Company's website after the approval of the shareholders. The Company, however, will supply the copies of accounts to the shareholders on demand at their registered address, free of cost, within one week of receiving such request. For this purpose it is propose that following resolution be passed as ordinary resolution:

   Resolved That:

   (a) Consent be and is hereby granted to place the quarterly accounts of the company on the website of the Company, pursuant to the Securities & Exchange Commission of Pakistan Circular # 19 of 2004 dated April 14, 2004;

   (b) The Chief Executive and the Company Secretary be and are hereby authorised severally or jointly, to apply Securities & Exchange Commission of Pakistan for its consent for such placing of the quarterly accounts on the website of the Company and to do all necessary acts, deeds and things in connection therewith and ancillary thereto including consultation with the Stock Exchanges on which the Company is listed.

4. No Director is interested in the above said business except as a shareholder.

Director's Report To The Shareholders

The Directors of your Company feel pleasure in presenting the annual report together with audited financial statements for the period ended 30 June 2012.

1. Financial Results

The Company suffered a Pre taxLossof Rs. (107,595,377) after charging costs, expenses and provisions for the year.

	Rupees June 30, 2012	Rupees June 30, 2011 Restated
Pre Tax Profit /(Loss) for the year	(107,595,377)	(105,160,435)
Taxation	(2,326,745)	(8,603,295)
Profit/ (Loss) after taxation	(109,922,122)	(113,763,730)
Accumulated Loss brought forward	(335,963,761)	(228,855,343)
Effect of Incremental depreciation arising due to surplus on revaluation of fixed assets	5,989,781	6,655,312
Accumulated Loss carried to Balance Sheet	(439,896,102)	(335,963,761)

2. Auditors

The present auditorsMesser's Riaz Ahmed & Company, Chartered Accountants retire and being eligible to offer themselves for re-appointment.

3. Review of financial Affairs and Future Prospects

The Directors of the company endorse the contents of the Chief Executive reviews, which is deemed to be the part of director's report.

4. Review of Operations:

Out of the total loss for the year, a very substantial portion (Rupees 108.07 million i.e. 98.93%) comprised the Share of Loss from Associated Companies accounted for under the Equity Method of Accounting.

Due to low demand of the yarn and non availability of sufficient working capital the Company underutilized its production capacity. Further, due to financial difficulties faced by the Company during the year, certain repayments of long term loans were also not made on timely basis. However, we are confident that the Company will overcome existing temporary factors that are negatively affecting its bottom line. This is evidenced by full repayment of Habib Bank Limited's financial facility, leaving only the facility provided by National Bank of Pakistan. It is expected that NBP's facility will also be fully repaid during the new financial year and the company shall become debt-free before the end of FY 2013. Raw material prices have also stabilized and the current year promises to yield a substantial cotton crop which will further help the Company recover its previous losses.

Further, as at the reporting date, the Company has unutilized available credit limits of Rupees 48.48 million. The Company is also in the process of negotiating further credit facilities in line with the requirements of the upcoming fiscal year.

We look forward to improved and profitable financial performance in the next fiscal year.

5. Observation of External Auditors:

The auditors have qualified their opinion with respect to the equity method adjustment of Rupees 108.07 million accounted for in the carrying amount of investment in associated company, Cresox (Private) Limited made on the basis of its unaudited financial statements for the year ended 30 June 2012. As explained in note 16.2 to these financial statements, the audited financial statements of Cresox (Private) Limited were not available and were still under audit at the time of authorization for issue of Company's financial statements. However, we do not expect any material adjustment arising out of this matter.

The auditors have also emphasized the going concern assumption used in the preparation of these financial statements. However, on the basis of our assessment of going concern assumption and the factors disclosed in Note 1.2 to the financial statements, we believe that the financial statements have been fairly prepared and the going concern assumption has been appropriately followed.

6. Pattern of Shareholding

The statement of pattern of shareholding of the company as at June 30, 2012 is annexed. This statement is prepared in accordance with Code of Corporate Governance.

7. Earning per shares

The earning per share for the period under review is (3.38) (2011: 3.50)

8. Statement pursuant to clause xvi of Code of Corporate Governance (CCG)

a) The financial statements of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

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

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

d) International accounting standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.

e) The system of internal control is sound in design and is being consistently reviewed by the internal audit department and will continue to be reviewed and any weakness in the system will be eliminated.

f) The Company has the ability to continue as going concern.

g) There has been no material departure from the best practices of Corporate Governance as detailed in listing regulations.

h) The company did not declare dividend because of being in loss in current year, accumulated losses have prevented the company declaring dividend or issuance of bonus shares.

i) During the year the Company has arranged director's training program through Pakistan Institute of Code of Corporate Governance as required by CCG for one of its director which is in process.

j) Transactions with Related Parties have been approved by the Audit Committee and the Board.

k) Details of operating results of the Company as compared to last year have been explained in Chief Executive review:

l) Value of gratuity was Rupees 35.27 million as on June 30, 2012 as per audited accounts.

m) Attendance at 4 meetings of the Board of Directors held during the year under review were as under:

Name of Director	Meetings attended
Mr. Salman Rafi	4
Mr. Shams Rafi	4
Mr. Shaukat Shafi	4
Mr. Muhammad Arshad	3
Mr. Abdullah Zakaria	4
Mr. Umer Shafi	-
Mr. Ahmed Shafi	-

Mr. Ahmed Shafi and Mr. Umer Shafi had expressed their inability to attend the meetings and requested for leave of absence which the Board granted.

n) During the period from July 01, 2012 to 30th June 2012 change in the holding of Directors, CEO, CFO and Company Secretary and their spouses as under:

	Opening Balance As on 30-06-2011	Change	Closing Balance As on 30-6-2012
Mr. Shams Rafi	689,348	-	689,348
Mr. Ahmed Shafi	861,242	-	861,242
Mr. Salman Rafi	591,979	-	591,979
Mr. Shaukat Shafi	3,937,529	-	3,937,529
Mr. Umer Shafi	606,073	-	606,073
Mr. Abdullah Zakaria	3,725	-	3,725
Mr. Muhammad Arshad	3,462	-	3,462

o) Following associated companies have the investments as under:

Crescent Sugar and Distillery Limited 474,323

p) The holdings of NIT and ICP are as under:

Investment Corporation of Pakistan	1891
IDBP	90

For and on behalf of the Board of Directors

Karachi
October 08, 2012

Shams Rafi
Chief Exective

Key Operating and Financial Ratios

For The Period From 2006 To 2011

Operating Information		2012	2011	2010 (restated)	2009 (restated)	2008 (restated)	2007
Sales - Net	Rs. In Mln	217.25	783.74	703.59	763.28	751.88	648.43
Cost of Goods Sold	Rs. In Mln	230.47	792.22	665.91	707.36	733.37	656.07
Gross Profit/(Loss)	Rs. In Mln	(13.21)	(8.48)	37.68	55.92	18.51	(7.64)
Operating Profit/(Loss)	Rs. In Mln	5.17	(25.18)	6.47	22.68	17.65	(20.69)
Profit/(Loss) befor taxation	Rs. In Mln	(107.60)	(105.16)	29.44	24.16	18.68	9.09
Profit/(Loss) after taxation	Rs. In Mln	(109.92)	(113.76)	24.69	22.85	16.02	4.32
Financial Information							
Paid up Capital	Rs. In Mln	324.91	324.91	324.91	324.91	70.17	70.17
Equity Balance	Rs. In Mln	(51.27)	42.68	147.07	103.03	(28.75)	(115.73)
Fixed Assets	Rs. In Mln	638.00	763.04	859.13	829.61	666.48	660.23
Current Assets	Rs. In Mln	158.49	107.43	106.96	141.53	160.96	97.21
Current Liabilities	Rs. In Mln	160.06	172.84	137.08	151.39	146.69	145.83
Total Assets	Rs. In Mln	796.49	870.47	966.09	971.14	827.44	757.45
Key Ratios							
Gross Margin	percent	(6.08)	(1.08)	5.36	7.33	2.46	(1.18)
Operating Margin	percent	2.38	(3.21)	0.92	2.97	2.35	(3.19)
Net Profit/(Loss) after tax	percent	(50.60)	(14.52)	3.51	2.99	2.13	0.67
Return on Capital Employed	percent	(0.17)	(0.15)	2.76	3.05	2.80	1.38
Current Ratio	Times	0.99	0.62	0.78	0.93	1.10	0.67
Earning Per Share	Rs.	(3.38)	(3.50)	0.76	0.70	2.28	0.62
Production Statistics							
Number of Spindle		9,000	9,000	8,840	8,840	8,840	13,548
Production converted into 20/s Count (kgs)		362,011	990,769	1,506,193	1,390,622	1,439,436	3,271,940

Chief Executive's Review

Welcome to the 39th Annual General Meeting of Jubilee Spinning & Weaving Mills Limited. It is my pleasure to present to you the accounts for the year ended on June 30, 2012.

Cotton prices approached historical levels during the year under review with yarn prices following the downward trend. This drop was just as sudden as last year's rise and continued to cause disruption in the industry. It is expected that markets will now stabilize and that pricing will move in a much narrower band, allowing companies to more accurately plan and giving management more time to develop a steady performance.

The drop in raw material and finished goods pricing is reflected in the reduction in the Company's sales from Rs. 783.74 million to Rs. 217.25 million. Distribution, Administrative and Other Operating Expenses were similarly reduced. Financial costs continued their long-term downward trend by falling another 22% to Rs. 4.69 m. The financial facilities provided by Habib Bank Limited have now been fully repaid and it is expected that the only remaining facility (provided by National Bank of Pakistan) will be fully repaid during the new financial year. The Net Loss After Taxation of Rs. 109.92 was predominantly the result of absorbing the Company's share in an associated concern. This is not directly related to the operations of the Company and has been caused by temporary factors that may not reoccur.

A good cotton crop is expected during the 2012-2013 season and this should help in stabilizing the industry and the Company during the new financial year. Overall political and economic conditions remained unstable and it is hoped that the recent reduction of mark-up rates by the State Bank of Pakistan will help spur a recovery.

On behalf of the Board of Directors, I would like to thank the Company's stakeholders for their confidence and continued support.

Shams Rafi
Chief Executive

Karachi
October 08, 2012

Vision statement

Jubilee Spinning & Weaving Mills Limited is a manufacturing concern produces high quality of cotton and polyester carded and combed yarn. The company is committed to make sustained efforts towards optimum utilization of its resources and intends to play a pivotal role in the economic and social development of Pakistan thereby improving the quality of life of its people.

Mission Statement

To achieve a leadership position in providing high quality products in all sector of operations.

To be recognized as an organization that delivers on its commitments with integrity.

To be an equal opportunity employer and to motivate every employee to strive for excellence in meeting and exceeding customers' needs to ensure the company's future prosperity.

To be a responsible corporate citizen and contribute to our community by participating in social and environmental causes.

Statement of Compliance With The Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35, Chapter XI of listing regulations of KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

CATEGORY	NAME
Independent directors	
Executive directors	Mr. Shams Rafi (Chief Executive) Mr. Abdullah Zakaria Mr. Muhammad Arshad
Non-executive directors	Mr. Shaukat Shafi Mr. Salman Rafi Mr. Umer Shafi Mr. Ahmed Shafi

The independent directors will be nominated from the next financial year.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company.Ê
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board after date of director's election.
5. The company will adopt a "Code of Conduct" in the next year.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies are being developed having regard to the level of materiality.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. Board meets at least once in every quarter. The Board held four meetings during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. The board arranged training programs for its one director during the year.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

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

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

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

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

15. The Board has formed an audit committee comprising 03 members.

16. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit department with qualified and experienced persons and they are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

18. The board will form HR and Remuneration Committee during the next financial year.

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

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

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

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

23. We confirm that all other material principles enriched in the CCG have been complied with except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

    Representation of independent director on the Board.
    The company will prepare and adopt a code of conduct from the next financial year.
    The board will form HR and Remuneration Committee during the next financial year

SHAMS RAFI
Chief Executive

October 8, 2012
Karachi

Review Report To The Members On Statement of Compliance With The Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Jubilee Spinning & Weaving Mills Limited ("the Company") for the year ended 30 June 2012, to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi 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 personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub-Regulation (x) of Listing Regulation 35 (Previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 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 in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

We draw your attention to clause 23 of the statement which mentions certain instances of non-compliance with the Code.

Our opinion is not qualified in respect of the above matter.

Riaz Ahmed & Company
Chartered Accountant

Name of Engagement Partner:
Muhammad Kamran Nasir

Karachi
October 8, 2012

Auditors' Report To The Members of Jubilee Spinning & Weaving Mills Limited

We have audited the annexed balance sheet of Jubilee Spinning & Weaving Mills Limited as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) as disclosed in Note 16.2 to the financial statements, the equity method adjustments of Rupees 108.051 million in the carrying amount of investment in the associated company, Cresox (Private) Limited have been made on the basis of its unaudited financial statements for the year ended 30 June 2012.

   Except for the effect of adjustments, if any, that might have been determined to be necessary, had the audited financial statements of the associated company been available, we report that:

(b) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(c) in our opinion:

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

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

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

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

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

We draw attention to Note 1.1 to the financial statements which states that the Company incurred a net loss of Rupees 109.922 million during the year resulting in accumulated loss of Rupees 439.896 million as at 30 June 2012 (2011: Rupees 335.964 million), its current liabilities exceeded its current assets by Rupees 1.567 million (2011: Rupees 65.417 million) and certain repayments of long-term financing were overdue as at the reporting date. These conditions along with other matters as set forth in Note 1.1 indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the realization of the company's assets and liquidation of any liabilities, which may be necessary should the company be unable to continue as a going concern, on the basis disclosed in the aforesaid note.

Our opinion is not qualified in respect of this matter.

Riaz Ahmed & Company
Chartered Accountant

Name of Engagement Partner:
Muhammad Kamran Nasir

Karachi
Date: October 8, 2012

BALANCE SHEET

	Note	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
34,000,000 (2011: 34,000,000) ordinary shares of Rupees 10 each		**340,000,000**	340,000,000
Issued, subscribed and paid up share capital	3	**324,912,050**	324,912,050
Reserves	4	**(376,180,557)**	(282,232,422)
Total equity		**(51,268,507)**	42,679,628
Surplus on revaluation of property, plant and equipment-net of tax	5	**554,565,554**	558,458,912
Surplus on revaluation of investment property-net of tax		**19,208,728**	19,208,728
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	6	**48,902,189**	12,783,898
Liabilities against assets subject to finance lease		**-**	293,605
Deferred income tax	7	**29,728,223**	31,824,646
Employees' retirement benefits	8	**35,296,854**	32,378,130
		113,927,266	77,280,279
CURRENT LIABILITIES			
Trade and other payables	9	**90,265,585**	76,089,172
Accrued mark-up		**30,195,974**	28,871,145
Short term borrowings	10	**1,519,152**	22,817,296
Current portion of long term liabilities	11	**25,870,474**	26,297,151
Provisions	12	**9,928,940**	9,928,940
Provision for taxation		**2,278,237**	8,840,052
		160,058,362	172,843,756
TOTAL LIABILITIES		**273,985,628**	250,124,035
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		**796,491,403**	870,471,303

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

Shams Rafi
Chief Executive

Shaukat Shafi
Director

AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating assets	14	**604,758,364**	621,643,439
Capital work in progress - plant and machinery		**5,000,000**	5,000,000
Investment property	15	**23,500,000**	23,434,645
Long term investments	16	**2,896,493**	110,959,889
Long term loans	17	**1,134,856**	1,296,121
Long term deposits		**710,722**	710,722
		638,000,435	763,044,816
CURRENT ASSETS			
Stores and spares	18	**2,724,328**	3,188,095
Stock in trade	19	**8,697,507**	21,907,485
Trade debts	20	**91,341,023**	31,064,250
Loans and advances		**1,207,955**	1,962,577
Short term deposits and prepayments		**726,037**	1,098,687
Other receivables		**13,241,846**	8,083,847
Advance income tax and refund		**9,864,353**	17,687,728
Short term investments	21	**29,337,166**	19,530,811
Cash and bank balances	22	**1,350,753**	2,903,007
		158,490,968	107,426,487
TOTAL ASSETS		**796,491,403**	870,471,303

Shams Rafi
Chief Executive

Shaukat Shafi
Director

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

	Note	2012 Rupees	2011 Rupees
SALES	23	217,253,360	783,739,078
COST OF SALES	24	(230,467,930)	(792,220,507)
GROSS LOSS		(13,214,570)	(8,481,429)
DISTRIBUTION COST	25	(2,137,116)	(2,030,197)
ADMINISTRATIVE EXPENSES	26	(17,777,916)	(21,086,203)
OTHER OPERATING EXPENSES	27	(729,108)	(3,660,782)
		(20,644,140)	(26,777,182)
		(33,858,710)	(35,258,611)
EFFECT OF FAIR VALUE ADJUSTMENT OF INTEREST FREE LONG TERM FINANCING FROM DIRECTORS		32,077,811	-
OTHER OPERATING INCOME	28	6,946,647	10,081,506
		39,024,458	10,081,506
PROFIT / (LOSS) FROM OPERATIONS		5,165,748	(25,177,105)
FINANCE COST	29	(4,689,916)	(5,991,285)
		475,832	(31,168,390)
SHARE OF LOSS IN ASSOCIATED COMPANIES		(108,071,209)	(73,992,045)
LOSS BEFORE TAXATION		(107,595,377)	(105,160,435)
PROVISION FOR TAXATION	30	(2,326,745)	(8,603,295)
LOSS AFTER TAXATION		(109,922,122)	(113,763,730)
LOSS PER SHARE- BASIC AND DILUTED (RUPEES)	31	(3.38)	(3.50)

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

Shams Rafi
Chief Executive

Shaukat Shafi
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	2012 Rupees	2011 Rupees
LOSS AFTER TAXATION	**(109,922,122)**	**(113,763,730)**
OTHER COMPREHENSIVE INCOME		
Fair value adjustment on available for sale investments	9,984,206	2,719,339
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(99,937,916)**	**(111,044,391)**

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

Shams Rafi
Chief Executive

Shaukat Shafi
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	32	(38,826,196)	27,580,615
Finance cost paid		(3,036,672)	(5,230,633)
Income tax paid		(1,016,677)	(1,910,848)
Gratuity paid		(5,365,469)	(5,141,702)
Net decrease in long term loans		161,265	1,147,520
Net cash (used in) / generated from operating activities		(48,083,749)	16,444,952
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	5,200,000
Capital expenditure on property, plant and equipment		-	(8,458,547)
Dividends received		271,596	252,219
Net cash flow from / (used in) investing activities		271,596	(3,006,328)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(12,992,404)	(20,389,054)
Long term loan obtained		80,980,000	-
Repayment of finance lease liabilities		(429,553)	(1,047,535)
Net cash flow from / (used in) financing activities		67,558,043	(21,436,589)
Net increase / (decrease) in cash and cash equivalents		19,745,890	(7,997,965)
Cash and cash equivalents at the beginning of the year		(19,914,289)	(11,916,324)
Cash and cash equivalents at the end of the year	33	(168,399)	(19,914,289)

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

Shams Rafi
Chief Executive

Shaukat Shafi
Director

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

	Share capital	RESERVES					TOTAL EQUITY
		Capital	REVENUE			TOTAL	
		Fair value reserve	General reserve	Accumulated loss	Sub Total		
	----------Rupees----------						
Balance as at 30 June 2010	**324,912,050**	**-**	**51,012,000**	**(228,855,343)**	**(177,843,343)**	**(177,843,343)**	**147,068,707**
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation	-	-	-	6,655,312	6,655,312	6,655,312	6,655,312
Loss for the year	-	-	-	(113,763,730)	(113,763,730)	(113,763,730)	(113,763,730)
Other comprehensive income for the year	-	2,719,339	-	-	-	2,719,339	2,719,339
Total comprehensive loss for the year	-	2,719,339	-	(113,763,730)	(113,763,730)	(111,044,391)	(111,044,391)
Balance as at 30 June 2011	**324,912,050**	**2,719,339**	**51,012,000**	**(335,963,761)**	**(284,951,761)**	**(282,232,422)**	**42,679,628**
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation	-	-	-	5,989,781	5,989,781	5,989,781	5,989,781
Loss for the year	-	-	-	(109,922,122)	(109,922,122)	(109,922,122)	(109,922,122)
Other comprehensive income for the year	-	9,984,206	-	-	-	9,984,206	9,984,206
Total comprehensive loss for the year	-	9,984,206	-	(109,922,122)	(109,922,122)	(99,937,916)	(99,937,916)
Balance as at 30 June 2012	**324,912,050**	**12,703,545**	**51,012,000**	**(439,896,102)**	**(388,884,102)**	**(376,180,557)**	**(51,268,507)**

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

Shams Rafi
Chief Executive

Shaukat Shafi
Director

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2012

1. THE COMPANY AND ITS OPERATIONS

1.1 Jubilee Spinning & Weaving Mills Limited (the Company) was incorporated in Pakistan as a public limited company on 12 December 1973 under the Companies Act, 1913 (Now The Companies Ordinance, 1984). The Company obtained certificate of commencement of business in January 1974. Shares of the Company are listed on all Stock Exchanges in Pakistan. Its registered office is situated at 40-A, Off: Zafar Ali Khan Road, Gulberg V, Lahore whereas the production facilities are located at B-28, Manghopir Road, S.I.T.E, Karachi. The Company is engaged in the business of manufacturing and selling of yarn, buying, selling and otherwise dealing in yarn and raw cotton. The Company also operates electric power generation facilities which generate electricity primarily for the Company's own requirements.

1.2 GOING CONCERN ASSUMPTION

During the year, the Company incurred a net loss of Rupees 109.922 million resulting in an accumulated loss of Rupees 439.896 million as at 30 June 2012 (2011: Rupees 335.964 million). The Company's current liabilities exceeded its current assets by Rupees 1.567 million (2011: Rupees 65.417 million) as at the reporting date. Certain repayments of long-term financing obtained from banking companies could not be made on due dates and are overdue as at the reporting date. The plant capacity also remained under-utilized due to intermittent availability of raw materials owing to hike in the prices and liquidity issues. These factors indicate the existence of material uncertainty which may cast significant doubts on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The management of the Company is confident to overcome existing temporary factors that are negatively affecting its bottom line. This is evidenced by full repayment of Habib Bank Limited's financial facility, leaving only the facility provided by National Bank of Pakistan. It is expected that NBP's facility will also be fully repaid during the new financial year and the company shall become debt-free before the end of FY 2013. Raw material prices have also stabilized and the current year promises to yield a substantial cotton crop which will further help the Company recover its previous losses.

Out of the total loss for the year, a very substantial portion (Rupees 108.07 million or 98.93%) comprised the Share of Loss from Associated Companies accounted for under the Equity Method of Accounting. It is important to note that the company earned a profit before adjustment of associated company's share in the current year amounting Rs. 0.47 million while in the same period last year the company was in loss by Rs. 31.17 million after the same adjustment.

The sponsor directors are fully committed to the profitable operations of the Company and have provided an interest-free loan of Rs. 80.89 million during the year. Sponsor directors have also expressed their continuing commitment to support the Company financially, if the need arises. This not only reflects their commitment to ensuring the success of the Company but also their positive outlook on the company.

As at the reporting date, the Company has unutilized available credit limits of Rupees 48.48 million. The Company is also in the process of negotiating further credit facilities in line with the requirements of the upcoming fiscal year.

On the basis of assessment of the going concern assumption, financial projections and the factors stated above, the sponsor directors and the management are confident to achieve profitability and substantially ease of cash flows going forward.

Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustment relating to the realization of its assets and liquidation of any liabilities that might be necessary should the company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

a) Statement of compliance

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

b) Accounting convention

These financial statements have been prepared under the historical cost convention except for certain fixed assets and financial assets and liabilities which have been stated at revalued amounts, fair values, cost, amortized cost and present value as mentioned in respective policy notes. Accrual basis of accounting has been used in these financial statements except for the cash flow information.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Post employment gratuity - defined benefit plan

The provision for gratuity has been accounted for based on independent actuarial valuation as at the reporting date which depends upon certain actuarial assumptions and judgments made by the actuary.

Useful lives, patterns of economic benefits and impairments - Property, plant and equipment

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Current taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

Impairment of investments in associated companies

In making an estimate of future cash flows from the company's investments in associated companies, the management considers future dividend stream and an estimate of the terminal value of these investments.

Classification of investments

Classification of an investment is made on the basis of intended purpose for holding such investment. The classification of investments is re-evaluated on regular basis.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

d) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

e) Amendments to published approved standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2011:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the International Accounting Standards Board (IASBs) comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. However, this amendment has no material impact on these financial statements.

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2011). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. However, this amendment has no material impact on these financial statements.

f) Interpretations and amendments to published approved standards that are effective in current year but not relevant to the Company

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

g) Standards and amendments to published approved standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2012 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments are not expected to have a material impact on the Company's financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. However, this amendment is not expected to have a material impact on the Company's financial statements.

IAS 16 (Amendment), 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2013). This amendment requires that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. However, this amendment is not expected to have a material impact on the Company's financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 - 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation', that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

h) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2012 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Employee Benefits

The company operates an unfunded gratuity scheme for its permanent employees who complete the eligible period of service. Provision has been made in accordance with actuarial recommendations using the projected unit credit method. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded ten percent of the higher of defined benefit obligation and fair value of the planed assets at that date. These gains or losses are recognized over the expected remaining working lives of the employees participating in the plans.

2.3 Taxation

a) Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted, after taking into account the applicable rebates and credits, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

b) Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.4 Foreign currencies

All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. The Company charges all the exchange differences to profit and loss account.

2.5 Property, plant, equipment and depreciation

a) Owned

Initial recognition

An item of property, plant and equipment is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition or construction of the asset.

Measurement subsequent to initial recognition

Revaluation model

Leasehold Land, Building on Leasehold Land and Plant and Machinery, are stated at revalued amounts, being the fair values at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses (if any). Surplus on revaluation is credited to "surplus on revaluation of property, plant and equipment", net of related deferred tax liability, except in case of surplus on leasehold land where deferred tax is not recognized. Revaluation is carried out by independent valuers with sufficient regularity so that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment along with related deferred tax is transferred directly to retained earnings (accumulated loss account) in statement of changes in equity.

Cost model

Property, plant and equipment other than those mentioned above are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit 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 profit and loss account during the year in which these are incurred.

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the depreciable amount of the assets over their estimated useful lives at the rates given in Note 14. The Company charges the depreciation on a proportionate basis from the date when the asset is available for use till the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

An item of property, plant sand equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

b) Assets subject to finance lease

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to profit and loss account over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to profit and loss account.

c) Capital Work in progress

Capital work-in-progress is stated at cost less impairment (if any) and represents expenditure incurred on Property, plant and equipment in the course of construction. These expenditures are transferred to relevant fixed assets category as and when the assets start operation.

2.6 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investments in associates, which are tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

a) Investment at fair value through profit or loss

Investment classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

c) Investment in associates - (with significant influence)

Investments in associates where the company has a significant influence are recorded under equity method as required by International Accounting Standard (IAS)-28 'Investments in Associates'.

d) Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted

Available for sale investments in unquoted investments are carried at cost less impairment in value, if any.

e) De-recognition of investments

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

2.7 Inventories

Inventories, except for stock in transit and waste stock/rags are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spare parts and loose tools

Useable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon till the reporting date.

Stock-in-trade

Cost of raw material, work-in-process and finished goods are determined as follows:

(i) For raw materials	Weighted average cost

(ii) For work-in-process	Weighted average cost of raw material plus proportion of the factory overhead expenses
(iii) Finished goods	Weighted average manufacturing cost.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon.

Waste stock/rags are valued at net realizable value.

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

2.8 Borrowing cost

The borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) is capitalized as part of the cost of that asset. All other interest, mark-up and other charges are recognized in profit and loss account.

2.9 Revenue recognition

Revenue and income from different sources is recognized as under:

- Sales are recognized on the basis of dispatch of goods to customers, which is invoice date.
- Profit on bank deposits is recognized on accrual basis.
- Dividend income is recognized when the company's right to receive the dividend has been established.
- In case of investments in associates stated using equity method under IAS-28, Company's share in the post acquisition profits of the associates is recognized in profit and loss account there-by adjusting the carrying amounts of related investments. The dividend received from such associates is deducted from the carrying value of the related investments.

2.10 Share Capital

Ordinary shares are classified as equity.

2.11 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, liabilities against assets subject to finance lease, short-term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item and in the accounting policy of investments (Note 2.6).

a) **Trade and other receivables**

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

b) **Borrowings**

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

c) **Trade and other payables**

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.12 Provisions

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

2.13 Impairment

a) **Financial assets**

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated by reference to its current fair value.

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.

b) **Non financial assets**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account except in case of revalued property, plant and machinery in which case these are first adjusted against related revaluation surplus and remaining loss, if any, is taken to profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account except where revaluation surplus was previously reduced in which case such reversal is credited to revaluation surplus.

2.14 Off setting of financial assets and financial liabilities

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

2.15 Investment properties

Properties comprising leasehold land and building which are not occupied by the company and are held for capital appreciation or to earn rental income are classified as investment property in accordance with the requirements of International Accounting Standard (IAS)-40 'Investment Property'. These properties are carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The valuation of the properties is carried out with sufficient regularity.

Gain or losses arising from a change in fair value of investment property are included in the profit and loss account currently.

2.16 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cheques in hand and deposit with banks net off short term finances/borrowings maturing within one year from the date of acquisition, if any.

2.17 Segment reporting

Segment reporting is based on the operating segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has two reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibers), and Power Generation.

Transaction among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

2.18 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the Company's reported net profits.

2.19 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2012	2011		2012	2011
(NUMBER OF SHARES)			Rupees	Rupees
700	700	Ordinary shares of Rupees 10 each fully paid in cash	7,000	7,000
1,500,000	1,500,000	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash (Note 3.1)	15,000,000	15,000,000
5,516,167	5,516,167	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	55,161,670	55,161,670
16,500,000	16,500,000	Ordinary shares of Rupees 10 each issued against conversion of loan from directors and associates (Note 3.2)	165,000,000	165,000,000
8,974,338	8,974,338	Ordinary shares of Rupees 10 each issued to shareholders of Jubilee Energy Limited under the Scheme of Amalgamation (Note 3.3)	89,743,380	89,743,380
32,491,205	32,491,205		324,912,050	324,912,050

3.1 Issue of shares for consideration other than cash represents shares issued to shareholders of the Crescent Textile Mills Limited on bifurcation in the year 1974.

3.2 These represent the ordinary shares issued to directors and associates against their loan after obtaining approval from shareholders in an Extra Ordinary General Meeting and from Securities and Exchange Commission of Pakistan (SECP).

3.3 These represent the ordinary shares issued to the shareholders of Jubilee Energy Limited pursuant to approval of scheme of amalgamation by the honorable Lahore High Court.

3.4 As at 30 June 2012, Crescent Cotton Mills Limited (Formerly Crescent Sugar Mills & Distillery Limited) associated company held 474,323 (2011: 474,323) ordinary shares of Rupees 10 each of the company.

3.5 Capital risk management policies and procedures

The company's objective when managing the capital are:

- to safeguard its ability to continue as a going concern so that it can continue to provide return to shareholders and benefits other stakeholders; and

- to maintain a strong capital base to support the sustained development of its business.

The company manages its capital structure by monitoring return on net assets and to maintain optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends to shareholders, issue new shares and adopt other means commensurating to the circumstances.

4. RESERVES

	2012 Rupees	2011 Rupees
Composition of reserves is as follows:		
Capital		
Fair value reserve	12,703,545	2,719,339
Revenue		
General	51,012,000	51,012,000
Accumulated loss	(439,896,102)	(335,963,761)
	(388,884,102)	(284,951,761)
	(376,180,557)	(282,232,422)

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX

This represents the surplus resulting from revaluation of certain property, plant and equipment (Leasehold Land, Buildings and Plant and Machinery) carried out during the previous years, net of deferred tax and incremental depreciation arising out of revaluation.

	2012	2011
Balance as at 01 July	510,639,398	523,147,194
Incremental depreciation charged during the year transferred to equity	(5,989,781)	(6,655,312)
Surplus realized on disposal of assets	-	(5,852,484)
	(5,989,781)	(12,507,796)
	504,649,617	510,639,398
Less: Related deferred tax liability (Note 7)		
Opening balance	30,694,405	35,072,133
Effect of incremental depreciation charged during the year transferred to equity	(2,096,423)	(2,329,359)
Deferred tax attributed to the surplus realized on disposal of assets	-	(2,048,369)
	28,597,982	30,694,405
	476,051,635	479,944,993
Surplus on revaluation of associated company accounted for under equity method (Note 5.4)	78,513,919	78,513,919
	554,565,554	558,458,912

5.1 The latest revaluation of lease hold land has been carried out by an independent valuer 'Consultancy Support and Services (Private) Limited' as at 30 June 2010. The fair value was determined from market based evidence in accordance with the market values of similar land existed in the near vicinity. The independent valuers reported the fair value of land amounting to Rupees 458 million.

5.2 Other than lease hold land, the latest revaluation of Building on Leasehold Land, and Plant and Machinery was carried out by an independent valuer 'Joseph Lobo (Private) Limited' as at 01 April 2008 based upon fair values. Fair values of Building on Leasehold Land, and Plant and Machinery were determined on the basis of depreciated replacement method. The independent valuers reported the fair values as under:

	Rupees
Building on leasehold land	68,925,802
Plant and machinery	125,000,000
	193,925,802

5.3 Had the revalued assets been stated under cost model, the carrying amounts would have been as under:

	2012			2011
	COST	ACCUMULATED DEPRECIATION	WRITTEN DOWN VALUE	WRITTEN DOWN VALUE
	Rupees	Rupees	Rupees	Rupees
Leasehold land	-	-	-	-
Building on leasehold land	37,376,984	21,787,321	15,589,663	17,321,848
Plant and machinery	98,052,763	40,953,378	57,099,385	63,443,761
	135,429,747	62,740,699	72,689,048	80,765,609

5.4 This represents the company's share of the surplus on revaluation of property, plant and equipment of the associated company {Cresox (Private) Limited (formerly, Renfro Crescent (Private) Limited} accounted for retrospectively as a result of amalgamation of the associated company with its wholly owned subsidiary. The last revaluation of leasehold land was carried out as at 30 June 2010. Before this revaluation, the lease hold land was also revalued as at 30 September 1995, 30 September 2002, 30 September 2004, 30 June 2008, and 30 June 2009 respectively.

6. LONG TERM FINANCING

From banking companies:

Habib Bank Limited

	2012 Rupees	2011 Rupees
Demand finance (Frozen mark up)	6,516,422	13,765,782
Less: Fair value adjustment under IAS - 39	-	(7,538,544)
Add: Accumulated proportionate reversal of fair value adjustment	-	7,121,399
	6,516,422	13,348,637
Less: Paid during the year	(6,516,422)	(6,832,215)
	-	6,516,422
Less: Current portion	-	(4,171,449)
Overdue portion	-	(2,344,973)
	-	(6,516,422)
	-	-

	2012 Rupees	2011 Rupees
National Bank of Pakistan		
Opening balance	31,959,790	31,959,790
Less:Paid during the year	(6,475,982)	-
Outstanding liability (Note 6.1)	25,483,808	31,959,790
Less:Current portion (Note 11)	(12,783,934)	(12,783,925)
Overdue portion	(12,699,874)	(6,391,967)
	(25,483,808)	(19,175,892)
	-	12,783,898
From directors of the company:		
Loan obtained during the year (Note 6.2)	48,902,189	-
Less: Paid during the year	-	-
	48,902,189	-
Less: Current portion	-	-
	48,902,189	-
	48,902,189	12,783,898

6.1 National Bank of Pakistan

This represents reconciled and settled liability of National Bank of Pakistan, which has been arrived at by settlement of outstanding balances of Packing Finance, Demand Finance and Accrued Mark-up thereon. The settlement agreement was executed between the bank and the company on 21 October 2003. As per terms of the settlement agreement, the aggregate total outstanding liability due to the bank has been agreed to be Rupees 102,271,427.

Details of this facility are as under:

Total outstanding amount	Rupees 25,483,808 (2011: Rupees 31,959,790)
Repayment	In 16 half yearly installments commenced from 01 September 2005.
Rate of mark-up	Weighted average six monthly T-Bill yield plus 200 bps with a cap of 4.5 percent per annum.
Security	Equitable mortgage charge on fixed assets comprising lease hold land, building and plant and machinery having book value of Rupees 136.362 million. Hypothecation charge on present and future current assets valuing Rupees 136.362 million.
Expiry date	01 March 2015

6.2 From directors of the company

	2012 Rupees	2011 Rupees
As at 30 June	80,980,000	-
Fair value adjustment under IAS-39	(32,077,811)	-
	48,902,189	-

6.2.1 The loan is unsecured and interest free the date of repayment is 30 June 2017. Fair value of long-term financing from directors has been estimated under IAS-39 "Financial Instruments: Recognition and Measurement" at the present value of all future cash flows discounted using estimated open market rate of 11.90 % per annum.

	2012 Rupees	2011 Rupees
7. DEFERRED INCOME TAX		
Deferred tax liability on revaluation of property, plant and equipment (Note 5 & 30.2)	28,597,982	30,694,405
Deferred tax liability on revaluation of investment property (Note 30.2)	1,130,241	1,130,241
	29,728,223	31,824,646

8. EMPLOYEES RETIREMENT BENEFITS

Staff gratuity scheme -unfunded

	2012 Rupees	2011 Rupees
Present value of defined benefit obligation	28,769,151	30,447,051
Add: Unrecognized actuarial gain	6,527,703	1,931,079
	35,296,854	32,378,130

8.1 General description

The scheme provides for retirement benefits for all permanent employees who complete qualifying period of services with the company at varying percentages of last drawn salary. The percentage depends on the number of service years with the company. Annual provision is based on actuarial valuation, which was carried out as on 30 June 2012.

8.2 Movement in present value of defined benefit obligation

	2012 Rupees	2011 Rupees
Balance at beginning of the year	30,447,051	28,974,215
Current service cost	4,021,606	3,448,246
Interest cost	4,262,587	3,476,906
Benefits paid during the year	(5,365,469)	(5,141,702)
Actuarial loss	(4,596,624)	(310,614)
Balance as at end of the year	28,769,151	30,447,051

8.3 Movement in balances

	2012 Rupees	2011 Rupees
Balance at beginning of the year	32,378,130	30,594,680
Expense during the year	8,284,193	6,925,152
	40,662,323	37,519,832
Benefits paid during the year	(5,365,469)	(5,141,702)
Balance at the end of the year	35,296,854	32,378,130

8.4 Charge for the year

	2012 Rupees	2011 Rupees
Current service cost	4,021,606	3,448,246
Interest cost	4,262,587	3,476,906
	8,284,193	6,925,152

8.5 Experience Adjustments

	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees
Experience adjustment arising on plan liabilities (gains) / losses	(4,597,000)	(311,000)	210,000	(1,329,000)	(2,209,000)
Present value of defined benefits obligation	28,769,151	30,447,051	28,974,215	24,478,876	22,818,287

8.6 Principal actuarial assumption

Following principal actuarial assumptions were used for the valuation:	**2012**	**2011**
Estimated rate of increase in salary of the employees	12% per annum	13% per annum
Discount rate	13% per annum	14% per annum

	2012 Rupees	**2011 Rupees**
9. TRADE AND OTHER PAYABLES		
Creditors	27,798,006	31,470,902
Accrued liabilities	8,794,429	5,793,620
Advances from customers	10,843,377	8,865,720
Income tax deducted at source	14,729,967	13,457,149
Dividend payable	577,737	577,737
Workers' profit participation fund (Note 9.1)	1,672	1,672
Due to director, associates and others	1,820,620	1,820,620
Other liabilities	25,699,777	14,101,752
	90,265,585	76,089,172

9.1 Workers' profit participation fund

Balance as on 01 July	1,672	1,672
Add: Provision for the year	-	-
	1,672	1,672
Less: Paid during the year	-	-
	1,672	1,672

9.1.1 The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers. The balance represents the unclaimed balances of workers who left the Company.

10. SHORT TERM BORROWINGS

From banking company - secured

Habib Bank Limited - Cash finance (Note 10.1)	1,519,152	22,817,296

10.1 Maximum limit under this facility is Rupees 50 million (2011: Rupees 50 million) with sublimit of cash in transit Rupees 12 million (2011: Rupees 12 million). Unused credit facility as at the balance sheet date was Rupees 48.481 million.

Details of this facility are as under:

Maximum limit	Rupees 50,000,000
Repayment of mark up	On quarterly basis
Rate of mark-up	1 month KIBOR + 250 bps with a floor of 5% per annum.
Security	Pledge of raw material and finished goods having value of Rupees 13.112 million.
Expiry	30 September 2012

	2012 Rupees	2011 Rupees
11. CURRENT PORTION OF LONG TERM LIABILITIES		
Current maturity of long term financing:		
Habib Bank Limited	-	4,171,449
National Bank of Pakistan (Note 6)	12,783,934	12,783,925
Current maturity of liabilities against assets subject to finance lease	293,605	524,806
Overdue portion of long term financing	12,699,874	8,736,940
Overdue portion of liabilities against assets subject to finance lease	93,061	80,031
	25,870,474	26,297,151

12. PROVISIONS

Provision for penalty on account of non-deposition of withholding tax	9,928,940	9,928,940

This represents provision made for penalty against non-deposition of withholding tax in prescribed time as per the Income Tax Ordinance, 2001.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

Bank Guarantee from:		
Faysal Bank Limited (Note 13.1.1)	8,600,000	8,600,000
Standard Chartered Bank (Pakistan) Limited (Note 13.1.2)	793,800	793,800
Habib Bank Limited (Note 13.1.3)	2,000,000	2,000,000
	11,393,800	11,393,800

13.1.1 This represents a guarantee issued by Faysal Bank Limited to the collector of customs on behalf of the company against the custom duty on imports.

13.1.2 This represents a guarantee issued by Standard Chartered Bank (Pakistan) Limited to the Honorable High Court, Sindh on account of cotton soft waste (carded and combed) fully paid.

13.1.3 This represents a guarantee issued by Habib Bank Limited in favor of Sui Southern Gas Company Limited on behalf of the company for payment of gas bills. The guarantee is secured against a cash deposit of Rupees 0.5 million (2011: Rupees 0.5 millioin) and hypothecation charge over current assets of Rupees 12 million (2011: Rupees 12 million).

13.2 Commitments

There were no capital or other commitments as at 30 June 2012 (2011: Nil).

14 OPERATING ASSETS

	Owned										Leased			
	Lease hold land	Building on lease hold land	Plant and machinery	Installation and equiptment	Office machines and electrical appliances	Vehicles	Office equiptment	Furniture & fixtures	Factory tools and equipments	**Sub total**	Vehicles	Generator	**Sub total**	**Total**
	Rupees													
Gross carrying value as at 30 June 2010														
Cost / Re-assessed value	458,000,000	118,056,641	253,557,805	8,613,452	452,842	6,212,963	1,514,899	841,301	8,735,261	855,985,164	6,497,671	-	6,497,671	862,482,835
Accumulated depreciation	-	(63,558,970)	(139,741,715)	(5,774,732)	(305,901)	(4,099,678)	(777,483)	(729,059)	(7,689,638)	(222,677,176)	(3,118,033)	-	(3,118,033)	(225,795,209)
Net book amount (Rs.)	**458,000,000**	**54,497,671**	**113,816,090**	**2,838,720**	**146,941**	**2,113,285**	**737,416**	**112,242**	**1,045,623**	**633,307,988**	**3,379,638**	**-**	**3,379,638**	**636,687,626**
Net carrying value as at 01 July 2010														
Opening net book amount	458,000,000	54,497,671	113,816,090	2,838,720	146,941	2,113,285	737,416	112,242	1,045,623	633,307,988	3,379,638	-	3,379,638	636,687,626
Additions	-	-	14,355,690	-	-	-	-	-	-	14,355,690	-	-	-	14,355,690
Transfer/Disposal														
Cost	-	-	28,623,690	-	-	-	-	-	-	28,623,690	-	-	-	28,623,690
Accum. Dep	-	-	(17,514,494)	-	-	-	-	-	-	(17,514,494)	-	-	-	(17,514,494)
Disposals - net	-	-	11,109,196	-	-	-	-	-	-	11,109,196	-	-	-	11,109,196
Depreciation charge	-	(5,449,767)	(11,143,190)	(283,872)	(22,041)	(422,657)	(125,159)	(11,224)	(156,843)	(17,614,753)	(675,928)	-	(675,928)	(18,290,681)
	458,000,000	**49,047,904**	**105,919,394**	**2,554,848**	**124,900**	**1,690,628**	**612,257**	**101,018**	**888,780**	**618,939,729**	**2,703,710**	**-**	**2,703,710**	**621,643,439**
Gross carrying value as at 30 June 2011														
Cost / Re-assessed value	458,000,000	118,056,641	239,289,805	8,613,452	452,842	6,212,963	1,514,899	841,301	8,735,261	841,717,164	6,497,671	-	6,497,671	848,214,835
Accumulated depreciation	-	(69,008,737)	(133,370,411)	(6,058,604)	(327,942)	(4,522,335)	(902,642)	(740,283)	(7,846,481)	(222,777,435)	(3,793,961)	-	(3,793,961)	(226,571,396)
Net book amount (Rs.)	**458,000,000**	**49,047,904**	**105,919,394**	**2,554,848**	**124,900**	**1,690,628**	**612,257**	**101,018**	**888,780**	**618,939,729**	**2,703,710**	**-**	**2,703,710**	**621,643,439**
Net carrying value as at 01 July 2011														
Opening net book amount	458,000,000	49,047,904	105,919,394	2,554,848	124,900	1,690,628	612,257	101,018	888,780	618,939,729	2,703,710	-	2,703,710	621,643,439
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer/Disposal														
Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accum. Dep	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(4,904,790)	(10,591,939)	(255,485)	(18,735)	(338,126)	(91,839)	(10,102)	(133,317)	(16,344,333)	(540,742)	-	(540,742)	(16,885,075)
	458,000,000	**44,143,114**	**95,327,455**	**2,299,363**	**106,165**	**1,352,502**	**520,418**	**90,916**	**755,463**	**602,595,396**	**2,162,968**	**-**	**2,162,968**	**604,758,364**
Gross carrying value as at 30 June 2012														
Cost / Re-assessed value	458,000,000	118,056,641	239,289,805	8,613,452	452,842	6,212,963	1,514,899	841,301	8,735,261	841,717,164	6,497,671	-	6,497,671	848,214,835
Accumulated depreciation	-	(73,913,527)	(143,962,350)	(6,314,089)	(346,677)	(4,860,461)	(994,481)	(750,385)	(7,979,798)	(239,121,768)	(4,334,703)	-	(4,334,703)	(243,456,471)
Net book amount (Rs.)	**458,000,000**	**44,143,114**	**95,327,455**	**2,299,363**	**106,165**	**1,352,502**	**520,418**	**90,916**	**755,463**	**602,595,396**	**2,162,968**	**-**	**2,162,968**	**604,758,364**
Rate of depreciation (%)	0	10	10	10	15	20	15	10	15		20			

	2012 Rupees	2011 Rupees
14.1 Depreciation charge for the year has been allocated as follows:		
Owned		
Cost of sales (Note 24.1)	15,914,368	17,066,937
Administrative expenses (Note 26)	429,965	547,816
	16,344,333	17,614,753
Leased		
Administrative expenses (Note 26)	540,742	675,928
	16,885,075	18,290,681

15. INVESTMENT PROPERTY

	2012 Rupees	2011 Rupees
Investment property - at revalued amount	23,500,000	23,434,645

Investment property represents the leasehold land and building comprising a storage godown leased out by the Company to its associated company Cresox (Private) Limited. The fair value of investment property as at 30 June 2012 has been determined by an independent valuer 'Consultancy Support and Services (Private) Limited". The fair value was determined from market based evidence in accordance with the market values of similar land and building existing in the near vicinity. The independent valuers reported the fair value of investment property at Rupees 23.500 million as at the reporting date. No expenses directly related to the investment property have been incurred during the year.

16. LONG TERM INVESTMENTS

	2012 Rupees	2011 Rupees
Available for sale - Associated company\ (without significant influence)		
Taxmac (Private) Limited (Note 16.1)	520,000	520,000
Associated companies (with significant influence) - Under equity method		
Premier Insurance Limited - quoted (Note 16.3)	-	12,327
Cresox (Private) Limited (Note 16.4)	2,376,493	110,427,562
Crescent Industrial Chemical Limited (Note16.5)	-	-
	2,376,493	110,439,889
	2,896,493	110,959,889

16.1 Taxmac (Private) Limited is an associate under provisions of the Companies Ordinance, 1984. However, the company has no power to participate in financial and operating decisions of Taxmac (Private) Limited. Therefore, the investment has been carried at cost. All other investments have been carried using equity method.

16.2	**Name of Associate**	**Basis of significant influence**
	Premier Insurance Limited	Common directorship creating significant influence
	Crescent Industrial Chemical Limited	Common directorship creating significant influence
	Cresox (Private) Limited	Shareholding 24.93 % creating significant influence

		2012 Rupees	**2011 Rupees**
16.3 Premier Insurance Company Limited			
The movement is as follows:			
Opening balance of investment		12,327	-
Share of profit of associate for the year		1,575	68,113
Share of loss of previous years - unrecognized		-	(27,448)
Prior year adjustment	16.3.1	(21,715)	-
Dividend income		(22,670)	(28,338)
Closing balance		(30,483)	12,327
Unrecognised loss		30,483	-
Net closing balance		-	12,327

16.3.1 During the year 2011, an error occurred in accounting for the share in loss. The rectification has been made in the current year only as the management believes that the impact is immaterial.

16.3.2 Summarized financial position of Premier Insurance Limited:

	2012	2011
Total assets	3,473,154,000	3,247,085,000
Total Liabilities	1,701,590,000	1,419,142,000
Net Assets	1,771,564,000	1,827,943,000
Profit after tax	4,185,000	123,985,000
Cost of investment	134	134
Market value	158,690	189,068
Ownership interest	0.0374%	0.0374%
Number of ordinary shares held 22,670 (2011: 22,670) of Rupees 10 each.		

16.4 Cresox (Private) Limited (CSPL)

	2012	2011
The movement is as follows:		
Opening balance of investment	31,913,643	105,918,015
Share of loss of associate	(108,051,069)	(74,004,372)
	(76,137,426)	31,913,643
Revaluation surplus arising on amalgamation of CSPL	78,513,919	78,513,919
	2,376,493	110,427,562

		2012 Rupees	2011 Rupees
16.4.1	**Summarized financial position of CSPL:**		
	Total assets	2,063,584,969	2,008,001,461
	Total liabilities	2,089,271,967	1,565,050,952
	Gross turnover	845,508,431	1,943,413,273
	Loss after tax	(433,403,036)	(296,848,663)
	Cost of investment	89,821,600	89,821,600
	Ownership interest	24.93%	24.93%
	Number of ordinary shares held 8,982,160 (2011: 8,982,160) of Rupees 10 each.		
	Market value	Un-quoted	Un-quoted

16.5 This represents investment of 184,000 shares in Crescent Industrial Chemical Limited which was fully impaired in previous years.

17. LONG TERM LOANS

	2012	2011
Due from employees	1,413,556	2,230,843
Less: Current portion	278,700	934,722
	1,134,856	1,296,121

17.1 The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of staff loans is not considered material and hence not recognized.

18. STORES AND SPARES

	2012	2011
Stores	821,564	846,206
Spare parts	1,902,764	2,341,889
	2,724,328	3,188,095

19. STOCK IN TRADE

	2012	2011
Raw materials	1,608,159	16,244,562
Work in process	6,008,184	4,038,495
Finished goods	928,373	1,545,817
Packing material	13,326	27,932
Waste stock	139,465	50,679
	8,697,507	21,907,485

20. TRADE DEBTS

Considered good:

	2012	2011
Unsecured	91,341,023	31,064,250

Considered doubtful:

	2012 Rupees	2011 Rupees
Others - unsecured	19,535,392	19,780,692
Less: Provision for doubtful debts		
As at 01 July	19,780,692	20,552,792
Less: Reversal due to recovery	(245,300)	(772,100)
As at 30 June	19,535,392	19,780,692
	-	-

20.1 As at 30 June 2012, trade debts of Rupees 0.071 million (30 June 2011 : Rupees 0.099 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of trade debts considered good is as follows:

	2012 Rupees	2011 Rupees
6 months to one year	70,566	99,596
	70,566	99,596

20.2 Trade debts of Rupees 19.535 million (2011 : Rupees 19.781 million) were impaired and provided for in previous years. The aging of these trade debts was more than one year.

21. SHORT TERM INVESTMENTS

	2012 Rupees	2011 Rupees
Available for sale (Note 21.1)	27,165,188	17,386,450
Investment at fair value through profit or loss in listed securities (Note 21.2)	2,171,978	2,144,361
	29,337,166	19,530,811

21.1 Investments available for sale

Related parties - Quoted

	2012 Rupees	2011 Rupees
The Crescent Textile Mills Limited 827 (2011: 827) fully paid ordinary shares of Rupees 10 each (bonus shares)	-	-
Crescent Cotton Mills Limited (Formerly Crescent Sugar Mills & Distillery Limited) 510,600 (2011: 510,600) fully paid ordinary shares of Rupees 10 each	3,150,402	3,150,402

Other than related parties - Quoted

	2012 Rupees	2011 Rupees
Samba Bank Limited 5,240,737 (2011: 5,240,737) fully paid ordinary shares of Rupees 10 each	37,311,525	37,311,525

	2012 Rupees	2011 Rupees
Crescent Jute Products Limited 1,716,683 (2011: 1,716,683) fully paid ordinary shares of Rupees 10 each	13,732,069	13,732,069
Crescent Spinning Mills Limited 290,000 (2011: 290,000) fully paid ordinary shares of Rupees 10 each	362,500	362,500
Crescent Steel and Alllied Products Limited 36,253 (2011: 36,253) fully paid bonus ordinary shares of Rupees 10 each	-	-
Shakarganj Mills Limited 39,138 (2011: 39,138) fully paid ordinary shares of Rupees 10 each	228,175	228,175
Shakarganj Mills Limited (Prefer. Shares) 184,335 (2011: 184,335) fully paid preference shares of Rupees 10 each	1,843,350	1,843,350
PICIC Insurance Company Limited 11,658 (2011: 11,658) fully paid ordinary shares of Rupees 10 each	116,580	116,580
	56,744,601	56,744,601
Opening balance of recognized impairment loss	(39,358,151)	(38,416,708)
Impairment loss charged during the year	(205,468)	(3,660,782)
Unrealised fair value gain	9,984,206	2,719,339
	(29,579,413)	(39,358,151)
	27,165,188	17,386,450

21.2 Investment at fair value through profit or loss in listed securities

	2012 Rupees	2011 Rupees
Nishat Mills Limited 6,525 (2011: 6,525) fully paid ordinary shares of Rupees 10 each	310,460	328,469
Oil & Gas Development Company Limited 3,800 (2011: 3,800) fully paid ordinary shares of Rupees 10 each	609,672	581,362
Pakistan Oilfield Limited 1,680 (2011: 1,680) fully paid ordinary shares of Rupees 10 each	616,459	603,136
Pakistan Petroleum Limited 3,309 (2011: 3,309) fully paid ordinary shares of Rupees 10 each	623,052	623,074
Fatima Fertilizer Company Limited 500 (2011: 500) fully paid ordinary shares of Rupees 10 each	12,335	8,320
	2,171,978	2,144,361

22. CASH AND BANK BALANCES

	2012 Rupees	2011 Rupees
Cash in hand	552,399	1,340,560
Cash at bank at current account (Note 22.1)	798,354	1,562,447
	1,350,753	2,903,007

22.1 This includes an amount of Rupees. 0.794 million (2011:Rupees 0.794 million) under lien with Standard Chartered Bank (Pakistan) Limited and a cash deposit of Rupees 0.5 million (2011: Rupees 0.5 million) with Habib Bank Limited against the guarantees issued on behalf of the Company.

23. SALES

	2012 Rupees	2011 Rupees
Yarn	208,390,460	764,656,990
Black polyster	57,330	-
Waste	3,734,241	17,467,907
Service revenue	4,956,800	1,020,100
Scrap	114,529	594,081
	217,253,360	783,739,078

24. COST OF SALES

Finished stock - opening	1,596,496	2,955,202
Add: Cost of goods manufactured (Note 24.1)	229,939,272	790,861,801
	231,535,768	793,817,003
Less: Finished stock - closing	1,067,838	1,596,496
	230,467,930	792,220,507

24.1 Cost of goods manufactured

Raw material consumed (Note 24.2)	146,539,487	676,957,477
Packing materials consumed	975,112	2,789,886
Stores and spares	4,196,246	6,833,633
Salaries, wages and other benefits	42,734,915	52,134,595
Repair and maintenance	242,674	536,277
Rent, rates and taxes	883,485	479,429
Fuel and power	15,291,652	24,285,794
Insurance	1,962,783	1,717,971
Depreciation (Note 14.1)	15,914,368	17,066,937
Other factory overheads	3,168,239	2,166,095
	231,908,961	784,968,094
Work-in-process		
Opening stock	4,038,495	9,932,202
Closing stock	(6,008,184)	(4,038,495)
	(1,969,689)	5,893,707
Cost of goods manufactured	229,939,272	790,861,801

	2012 Rupees	2011 Rupees
24.2 Raw material comsumed		
Opening stock	16,244,562	19,250,085
Add: Purchased during the year	131,903,084	673,951,954
	148,147,646	693,202,039
Less: Closing stock	1,608,159	16,244,562
	146,539,487	676,957,477

25. DISTRIBUTION COST

	2012 Rupees	2011 Rupees
Salaries and other benefits	156,000	156,000
Outward freight and handling	1,981,116	1,874,197
	2,137,116	2,030,197

26. ADMINISTRATIVE EXPENSES

	2012 Rupees	2011 Rupees
Salaries, allowances and benefits	12,671,256	14,143,051
Traveling, conveyance and entertainment	1,002,573	1,014,603
Rent, rates and taxes	-	15,532
Printing and stationery	338,611	309,206
Communication	837,495	857,757
Insurance	256,160	255,126
Subscription and periodicals	367,161	594,495
Repairs and maintenance	7,828	73,788
General expenses	554,020	1,021,936
Auditors' remuneration (Note 26.1)	415,000	395,000
Advertisement	46,000	255,540
Legal and professional charges	311,105	926,425
Depreciation (Note 14.1)	970,707	1,223,744
	17,777,916	21,086,203

26.1 Auditors' remuneration

	2012 Rupees	2011 Rupees
Audit fee	275,000	275,000
Half yearly review	70,000	70,000
Out of pocket expenses	70,000	50,000
	415,000	395,000

27. OTHER OPERATING EXPENSES

	2012 Rupees	2011 Rupees
Impairment loss on equity investments	205,468	3,660,782
Impairment recognized in respect of dormant bank balances	23,640	-
Late payment penalties	500,000	-
	729,108	3,660,782

	2012 Rupees	2011 Rupees
28. OTHER OPERATING INCOME		
Income from financial assets		
Dividend income (28.1)	271,596	252,219
Unrealized gain on re-measurement of investments at fair value through profit or loss	27,616	493,831
Income from bank deposits	-	39,559
	299,212	785,609
Income from non financial assets		
Loss on sale of property, plant and equipment	-	(2,056,708)
Commission income	1,057,032	5,546,498
Rental income	4,874,580	4,874,580
Gain on remeasurement of invetment property	65,355	-
Reversal of provision for doubtful trade debts	245,300	772,100
Others	405,168	159,427
	6,647,435	9,295,897
	6,946,647	10,081,506

28.1 Included therein is dividend income of Rupees 0.0227 million received from related party.

29. FINANCE COST

	2012 Rupees	2011 Rupees
Mark-up on:		
Long term financing	1,734,100	2,872,368
Short term borrowings	2,296,014	2,522,705
Finance charges on lease liabilities	101,679	215,004
Bank charges and commission	558,123	381,208
	4,689,916	5,991,285

30. PROVISION FOR TAXATION

	2012 Rupees	2011 Rupees
Current (Note 30.1)	2,278,237	8,840,052
Prior year	48,508	(236,757)
	2,326,745	8,603,295

30.1 Current

The tax liability of the company for the year has been calculated under the normal provisions of the Income Tax Ordinance, 2001. The income tax assessments of the company have been finalized up to and including tax year 2009. Due to available tax losses of Rupees 103.395 million, no provision for tax is required except for income chargable to final taxation and minimum taxation on turnover. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of final and minimum taxation.

30.2 Deferred

Deferred tax asset of Rupees 53.544 million (2011: Rupees 47.855 million) arising from excess of deductible temporary differences and accumulated tax losses over taxable temporary differences chargeable to profit and loss account has not been accounted for in these financial statements. The management expects that it is not probable that taxable profits / taxable temporary differences would be available in near future against which the deferred tax asset can be utilized. However, the deferred tax liability arising on surplus on revaluation of property, plant and equipment and the surplus on revlauation of investment property, respectively, has been fully recognized in these financial statements (Note 7).

31. LOSS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic loss per share which is based on:

		2012 Rupees	2011 Rupees
Loss attributable to ordinary shares	(Rupees)	(109,922,122)	(113,763,730)
Weighted average number of ordinary shares	(Numbers)	32,491,205	32,491,205
Loss per share	(Rupees)	(3.38)	(3.50)

32. CASH GENERATED FROM OPERATIONS

	2012 Rupees	2011 Rupees
Loss before taxation	(107,595,377)	(105,160,435)
Adjustments for non-cash charges and other items:		
Depreciation	16,885,075	18,290,681
Provision for gratuity	8,284,193	6,925,152
Share of (profit) / loss from associate	108,071,209	73,992,045
Dividend income	(271,596)	(252,219)
Unrealized gain on remeasurement of investments	(27,616)	(493,831)
Impairment loss on available for sale investments	205,468	3,660,782
Imputed Interest Income under IAS-39	(32,077,811)	-
Impairment loss on bank balances	23,640	-
Provisions, write offs and write backs	(245,300)	-
Loss on disposal of property, plant and equipment	-	2,056,708
Gain on remeasurement of investment property	(65,355)	-
Finance cost	4,689,916	5,991,285
	105,471,823	110,170,603
Net cash from operating activities before working capital changes	(2,123,554)	5,010,168
Working capital changes		
(Increase) / Decrease in current assets		
Stores and spares	463,767	(1,220,223)
Stock-in-trade	13,209,978	10,245,480
Trade debts	(60,522,073)	(21,430,031)
Loans and advances	754,622	5,811,484
Short term deposits and prepayments	372,650	(127,832)
Other receivables	(5,157,999)	137,806

	2012 Rupees	2011 Rupees
Increase / (Decrease) in current liabilities		
Trade and other payables	14,176,413	29,153,763
Working capital changes	**(36,702,642)**	**22,570,447**
Net cash from operating activities after working capital changes	(38,826,196)	27,580,615

33. CASH AND CASH EQUIVALENTS

	2012 Rupees	2011 Rupees
Cash and bank balance	1,350,753	2,903,007
Short term borrowings	(1,519,152)	(22,817,296)
	(168,399)	(19,914,289)

34. CHIEF EXECUTIVE OFFICER'S, DIRECTORS' AND EXECUTIVES' REMUNERATION

	2012 Rupees	2011 Rupees
Chief Executive Officer		
Managerial remuneration and other benefits	3,630,000	3,630,000
House rent and utilities	1,996,500	1,996,500
Gratuity	398,544	398,544
	6,025,044	6,025,044
Number of executive	1	1
Directors		
Managerial remuneration	1,504,200	1,504,200
Housing and utilities	768,000	768,000
Gratuity	160,030	160,030
	2,432,230	2,432,230
Number of directors	2	2
Executives		
Managerial remuneration	1,340,772	1,340,772
Housing and utilities	671,328	671,328
Gratuity	142,524	142,524
	2,154,624	2,154,624
Number of executives	1	1

34.1 The chief executive officer is provided with free use of company maintained cars. Two (2011: Two) other executives are also provided with the company maintained cars.

34.2 No meeting fee was paid to any director during the year (2011: Nil)..

34.3 No remuneration was paid to non-executive directors of the Company.

35. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise subsidiary companies, associated undertakings, other related companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2012		2011	
	Associates	Other related parties	Associates	Other related parties
Transactions	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Insurance premium	2,218,943	-	2,397,097	-
Rental income	4,785,300	-	4,785,300	-
Sale of yarn	208,447,790	-	753,670,550	-
Service charges	4,956,800	-	1,020,100	-
Insurance commission	1,057,032	-	5,208,326	-
Dividend income	22,670	-	28,338	-
Balances as at 30 June				
Insurance premium payable	(6,602,885)	-	(5,309,655)	-
Receivable from customer	99,499,021	-	34,097,875	-

36. PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning	**2012**	**2011**
Total number of spindles available for production	9,000	9,000
Total number of spindles worked during the year	3,260	6,903
Number of shifts per day	3	3
Plant capacity of yarn (Kg.) on the basis of total number of spendles worked	1,436,000	2,146,747
Actual production of yarn (Kg.)	810,715	2,504,035
Actual production in 20 / s (Kg.)	362,011	990,769
Total shifts worked	594	779
Power plant		
Generation Capacity (KW)	1,053	1,053
Actual generation (KW)	300	506

36.1 Reasons for low production

Change of product mix towards courser counts resulted in utilization of less spindles keeping the production in bags almost same. Under utilization of power plant capacity is due to normal maintenance and intermittent supply of the raw material as stated in note 1.2.

37. SEGMENT INFORMATION

37.1 The company has 02 reportable business segments. The following summary describes the operation in each of the company's reportable segments:

Spinning: Production of different quality of yarn using natural and artificial fibers.

Power Generation: Generation and distribution of power.

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases have been eliminated from the total.

37.1 Segment results

	Spinning		Power Generation		Elimination of Inter-segment transactions		Total - Company	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Sales	217,253,360	783,739,078	21,216,051	37,558,270	(21,216,051)	(37,558,270)	217,253,360	783,739,078
Cost of sales	(232,570,211)	(801,125,907)	(19,113,770)	(28,652,870)	21,216,051	37,558,270	(230,467,930)	(792,220,507)
Gross (loss) / profit	(15,316,851)	(17,386,829)	2,102,281	8,905,400	-	-	(13,214,570)	(8,481,429)
Distribution cost	(2,137,116)	(2,030,197)	-	-	-	-	(2,137,116)	(2,030,197)
Administrative expenses	(17,498,349)	(20,555,236)	(279,567)	(530,967)	-	-	(17,777,916)	(21,086,203)
	(19,635,465)	(22,585,433)	(279,567)	(530,967)	-	-	(19,915,032)	(23,116,400)
Loss before taxation and Unallocated expenses and income	(34,952,316)	(39,972,262)	1,822,714	8,374,433	(89,900)	-	(33,129,602)	(31,597,829)
Unallocated income and expenses:								
Finance cost							(4,689,916)	(5,991,285)
Fair value adjustment on interest free loan							32,077,811	-
Other operating expenses							(729,108)	(3,660,782)
Other operating income							6,946,647	10,081,506
Share of loss in associated companies							(108,071,209)	(73,992,045)
Taxation							(2,326,745)	(8,603,295)
Loss after taxation							(109,922,122)	(113,763,730)

37.2.1 The sales of yarn to a single customer amounts to Rupees 208.390 million (2011: Rupees 753.671 million) out of the total revenue/sales of the company. All the reported segments operate in same geographical location.

37.3 Segment Assets

	Spinning		Power Generation		Total - Company	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Segment assets	589,326,346	604,496,752	15,432,018	17,146,687	604,758,364	621,643,439
Unallocated assets					191,733,039	248,827,864
					796,491,403	870,471,303
Segment liabilities	291,309,342	215,433,404	2,410,142	2,312,501	293,719,484	217,745,905
Unallocated liabilities					(19,733,856)	32,378,130
					273,985,628	250,124,035

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

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

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and manges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, and investment of excess liquidity.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The company is not exposed to this risk because there were no receivables and payables in any foreign currency as at the reporting date.

Certain foreign currency transactions were carried out during the year which have been settled before the balance sheet date. Therefore, no currency risk regarding these transactions exist at the reporting date. Following significant exchange rates were used during the year.

	2012	2011
	Rupees per dollar	
Average rate	95.60	85.40

Sensitivity analysis

Sensitivity analysis of functional currency at reporting date is not required due to nil foreign currency nominated financial assets and financial liabilities at the reporting date.

(ii) 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 or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's profit after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Index	Impact on profit after taxation		Statement of other comprehensive income (fair value reserve)	
	2012 Rupees	2011 Rupees	2012 Rupees	2011 Rupees
KSE 100 (5% increase)	108,599	107,218	1,358,259	869,333
KSE 100 (5% decrease)	(108,599)	(630,026)	(1,358,259)	(346,525)

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk. As at reporting date, there were no fixed rate borrowings.

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

	2012 Rupees	2011 Rupees
Floating rate instruments		
Financial liabilities		
Long term financing	74,385,997	31,959,790
Liabilities against assets subject to finance lease	386,666	898,442
Short term borrowings	1,519,152	22,817,296

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 0.02 million (30 June 2011: Rupees 0.238 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at reporting date were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Investments	29,337,166	19,530,811
Loans and advances	2,342,811	3,258,698
Deposits	710,722	710,722
Trade debts	91,341,023	31,064,250
Other receivables	13,241,846	8,083,847
Bank balances	798,354	1,562,447
	137,771,922	64,210,775

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating Short Term	Long term	Agency	2012 Rupees	2011 Rupees
Banks					
National Bank of Pakistan	A1+	AAA	JCR-VIS	40,658	40,658
Allied Bank Limited	A1+	AA	PACRA	19,310	(157,032)
Faysal Bank Limited	A1+	AA	PACRA	-	26,633
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	(340,821)	660,381
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	829,164	829,164
United Bank Limited	A1+	AA+	JCR-VIS	249,247	109,099
Bank Al-Habib Limited	A1+	AA+	PACRA	-	18,248
Emirates Global Islamic Bank Limited	A2	A-	PACRA	796	35,296
				798,354	1,562,447
Investments					
Samba Bank Limited	A1	A+	JCR-VIS	12,053,695	8,961,660
				12,053,695	8,961,660

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 20.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2012, the Company had Rupees 48.481 million (2011: Rupees 27.143 million) available unused borrowing limits from financial institutions and Rupees 1.351 million (2011: Rupees 2.903 million) cash and bank balances. Despite the fact that the Company is in a negative working capital position at the year end, management believes the liquidity risk to be low considering the nature of individual items in the net-wroking capital position. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2012

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Long term financing	74,385,997	74,385,997	12,699,874	12,783,934	-	48,902,189
Liabilities against assets subject to finance lease	386,666	408,985	408,985	-	-	-
Trade and other payables	64,692,241	64,692,241	32,259,782	32,432,459	-	-
Short term borrowings	1,519,152	1,701,450	1,191,015	510,435	-	-
Accrued Markup	30,195,974	30,195,974	30,195,974	-	-	-
	171,180,030	171,384,647	76,755,630	45,726,828	-	48,902,189

Contractual maturities of financial liabilities as at 30 June 2011

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Long term financing	38,476,212	41,352,593	8,736,940	16,955,374	12,783,898	-
Liabilities against assets subject to finance lease	898,442	1,022,440	417,352	298,356	306,732	-
Trade and other payables	53,766,303	53,766,303	32,259,782	21,506,521	-	-
Short term borrowings	22,817,296	25,555,372	17,888,760	7,666,612	-	-
Accrued markup	28,871,145	28,871,145	28,871,145	-	-	-
	144,829,398	150,567,853	88,173,979	46,426,863	13,090,630	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 6 and note 10 to these financial statements.

38.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:

Financial assets As at 30 June 2012	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Available for sale financial assets	27,165,188	-	-	27,165,188
Financial assets at fair value through profit or loss	2,171,978	-	-	2,171,978
	29,337,166	-	-	29,337,166
As at 30 June 2011				
Available for sale financial assets	17,386,450	-	-	17,386,450
Financial assets at fair value through profit or loss	2,144,361	-	-	2,144,361
	19,530,811	-	-	19,530,811

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Company is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. The Company has no such type of financial instruments as on 30 June 2012.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3.The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments. The Company has no such type of financial instruments as on 30 June 2012.

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

38.3 Financial instruments by categories

	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2012				
Assets as per balance sheet				
Investments	-	2,171,978	27,165,188	29,337,166
Loans and advances	2,342,811	-	-	2,342,811
Deposits	710,722	-	-	710,722
Trade debts	91,341,023	-	-	91,341,023
Other receivables	13,241,846	-	-	13,241,846
Cash and bank balances	1,350,753	-	-	1,350,753
	108,987,155	2,171,978	27,165,188	138,324,321

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long term financing	74,385,997
Liabilities against assets subject to finance lease	386,666
Accrued mark-up	30,195,974
Short term borrowings	1,519,152
Trade and other payables	64,692,241
	171,180,030

	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2011				
Assets as per balance sheet				
Investments	-	1,650,530	18,327,893	19,978,423
Loans and advances	10,217,702	-	-	10,217,702
Deposits	710,722	-	-	710,722
Trade debts	13,223,194	-	-	13,223,194
Other receivables	4,632,678	-	-	4,632,678
Cash and bank balances	3,975,054	-	-	3,975,054
	32,759,350	1,650,530	18,327,893	52,737,773

	Financial liabilities at amortized cost Rupees
Liabilities as per balance sheet	
Long term financing	38,476,212
Liabilities against assets subject to finance lease	1,945,977
Short term borrowings	15,891,378
Trade and other payables	25,852,015
Accrued mark-up	29,324,005
	111,489,587

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 8, 2012 by the Board of Directors of the Company.

40. CORRESPONDING FIGURES

During the year no significant reclassification or rearrangements of corresponding figures have been made.

41. GENERAL

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

Shams Rafi
Chief Executive

Shaukat Shafi
Director

Form 34
Pattern of Share Holding
As on June 30, 2012

Shareholders	From	To	Total Shares
440	1	100	16,137
418	101	500	108,430
110	501	1,000	81,366
172	1,001	5,000	395,632
23	5,001	10,000	172,606
21	10,001	15,000	281,434
16	15,001	20,000	292,595
6	20,001	25,000	136,342
14	25,001	30,000	403,087
5	30,001	35,000	159,362
1	35,001	40,000	39,381
6	40,001	45,000	255,550
6	45,001	50,000	282,482
4	50,001	55,000	211,261
2	55,001	60,000	113,722
1	65,001	70,000	68,411
4	70,001	75,000	284,625
3	75,001	80,000	232,424
1	80,001	85,000	80,630
1	85,001	90,000	88,673
1	95,001	100,000	98,500
1	100,001	105,000	101,639
1	115,001	120,000	116,462
1	145,001	150,000	150,000
1	155,001	160,000	159,560
1	175,001	180,000	179,921
1	180,001	185,000	182,629
1	195,001	200,000	199,146
1	200,001	205,000	204,218
1	225,001	230,000	225,855
1	265,001	270,000	266,450
1	285,001	290,000	285,357
1	345,001	350,000	346,955
1	455,001	460,000	456,073
2	470,001	475,000	948,574
2	495,001	500,000	993,590
1	510,001	515,000	512,462
1	685,001	690,000	689,348
1	860,001	865,000	860,742
1	1,560,001	1,565,000	1,560,920
1	2,390,001	2,395,000	2,391,204
1	3,935,001	3,940,000	3,937,529
1	4,225,001	4,230,000	4,228,922
1	4,405,001	4,410,000	4,405,768
1	5,285,001	5,290,000	5,285,231
1,281			32,491,205

Categories of Shareholders	Numbers	Shares held	% age
Financial Institution	5	3,742	0.02
Individual	1,226	0	0.00
Insurance Companies	2	80,630	0.42
Joint Stock companies	37	640,364	3.35
Associated Companies	1	474,323	2.48
More than 10%	4	17,882,790	93.65
Modaraba	1	9,127	0.05
Investment Companies	2	1,981	0.01
Other	3	2,971	0.01
Total	**1,281**	**19,095,928**	**100**
Others			
Abondand Property	1	353	0.00
Trust	2	2,618	0.01
Total	**3**	**2,971**	**0.02**

Pattern of Share Holding
As on June 30, 2012

Categories of Shareholder	
Directors, Chief Executive Officer, their spouse and minor children	**Number of shares held**
Chief Executive/Director	
Shams Rafi	689,348
Directors	
Shaukat Shafi	3,937,529
Ahmad Shafi	861,242
Umer Shafi	606,073
Salman Rafi	591,979
Muhammad Arshad D	3,462
Abdullah Zakaria	3,725
Directors' Spouse and their minor children	
Zahida Shaukat	42,859
Associated companies, undertakings and related parties	
Crescent Sugar Mills & Distillery Ltd.	474,323
NIT & ICP	
Investment Corporation Of Pakistan	1,891
Idbp (Icp Unit)	90
Banks, DFI, NBFIs	3,742
Insurance Companies	80,630
Modaraba and Mutual Funds	9,127
Others	2,971
Public sector companies and corporations (Joint Stock Companies)	634,363
Shareholders more than 10%	17,882,790
General Public	6,665,061
Grand Total	32,491,205

39th Annual General Meeting
Form of Proxy

I/We ____

of ____

member/members of Jubilee Spinning & Weaving Mills Limited and holder of =____________

____________= shares as per Registered Folio No.___________________ do hereby appoint

____of __________________of failing him

________________________ of ____________________ who is also member of the company

vide Registered Folio No. ________________ as my / our Proxy to attend, speak and vote for me / us and on my / our behalf at the 38th Annual General Meeting of the Company to be held on __________ the October _________ at ________ a.m. at the registered office, 40-A, Zafar Ali Road, Gulberg V, Lahore and at any adjournment thereof.

As witness my hand this ____________________________ day of _________________ 2012.

Please Affix Here Revenue Stamp.

(Member's Signature)

(Witness's Signature)

Date:

Place:

Note:

The Form of Proxy should be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the meeting.