Al Nasr Textiles Limited

Financial statements for the year ended
30 June 2012

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KPMG Taseer Hadi & Co.
Chartered Accountants
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Lahore Pakistan

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Auditors' Report to the Members

We have audited the annexed balance sheet of **Al Nasr Textiles Limited ("the Company")** 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) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

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

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

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

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

d) in our opinion no Zakat was deductible at source by the Company under Section 7 of the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co

Lahore

Date: 09 October 2012

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Al Nasr Textiles Limited

Balance Sheet

As at 30 June 2012

LIABILITIES	Note	2012 Rupees	2011 Rupees
Authorised capital			
40,000,000 (2011: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid-up capital	4	342,000,000	342,000,000
Accumulated profit		478,560,339	410,166,248
		820,560,339	752,166,248
Non-current liabilities			
Long term loans - secured	5	173,805,869	254,204,259
Liabilities against assets subject to finance lease	6	2,062,147	2,709,599
Deferred liabilities	7	144,881,339	99,371,821
		320,749,355	356,285,679
Current liabilities			
Short term borrowing - secured	8	434,688,166	248,828,221
Current maturity of long term liabilities	9	135,939,442	146,854,851
Trade and other payables	10	139,170,242	158,287,910
Mark up payable on secured loans	11	26,009,045	29,454,948
Taxation		24,464,861	41,387,317
		760,271,756	624,813,247
Contingencies and commitments	12		
		1,901,581,450	1,733,265,174

ASSETS	Note	2012 Rupees	2011 Rupees
Non-Current assets			
Property, plant and equipment	13	976,265,077	978,966,232
Capital work in progress		7,283,002	-
		983,548,079	978,966,232
Current assets			
Stores, spares and loose tools	14	27,193,108	29,725,861
Stock in trade	15	449,476,241	427,846,276
Trade debts	16	313,578,645	177,046,784
Advances, deposits, prepayments and other receivables	17	90,240,388	102,087,745
Short term investments	18	2,343,578	-
Cash and bank balances	19	35,201,411	17,592,276
		918,033,371	754,298,942
		1,901,581,450	1,733,265,174

The attached notes 1 to 34 form an integral part of these financial statements.

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Chief Executive

Director

Al Nasr Textiles Limited

Profit and Loss Account

For the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
Sales - net	20	**3,084,139,002**	3,298,968,325
Cost of sales	21	**(2,762,776,111)**	(2,670,490,301)
Gross profit		**321,362,891**	628,478,024
Operating expenses			
Administrative expenses	22	**(14,801,063)**	(10,910,231)
Distribution cost	23	**(46,811,675)**	(35,160,183)
		(61,612,738)	(46,070,414)
Operating profit		**259,750,153**	582,407,610
Finance cost	24	**(124,176,490)**	(165,610,711)
		135,573,663	416,796,899
Other operating income	25	**921,347**	599,951
Other operating expenses	26	**(10,326,784)**	(30,264,630)
Profit before taxation		**126,168,226**	387,132,220
Provision for taxation	27	**(57,774,135)**	(86,567,014)
Profit after taxation		**68,394,091**	300,565,206
Earnings per share - Basic and diluted	28	**2.00**	8.79

The attached notes 1 to 34 form an integral part of these financial statements.

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Lahore

Chief Executive

Director

Al Nasr Textiles Limited
Statement of Comprehensive Income
For the year ended 30 June 2012

	2012 Rupees	2011 Rupees
Profit after taxation	**68,394,091**	300,565,206
Other comprehensive income	-	-
Total comprehensive income for the year	**68,394,091**	300,565,206

The attached notes 1 to 34 form an integral part of these financial statements.

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Lahore **Chief Executive** **Director**

Al Nasr Textiles Limited

Cash Flow Statement

For the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
Cash flows from operating activities			
Profit before taxation		126,168,226	387,132,220
Adjustments for non cash expense and other items:			
Depreciation		63,346,053	64,615,330
Finance cost		122,285,689	165,610,711
Loss on disposal of property, plant and equipment		1,455,970	2,682,768
Interest on worker's profit participation fund		1,890,801	1,040,760
Worker's profit participation fund		6,751,952	20,791,204
Worker's welfare fund		2,118,862	7,900,658
Staff retirement benefits		8,806,914	8,119,883
		206,656,241	270,761,314
Profit before working capital changes		332,824,467	657,893,534
Effect on cash flow due to working capital changes			
(Increase)/decrease in current assets:			
Trade debts		(136,531,861)	(81,487,443)
Stores and spares		2,532,753	(11,605,198)
Stock in trade		(21,629,965)	(211,734,123)
Advances deposits, prepayments and other receivables		(6,215,181)	(948,599)
Increase in current liabilities:			
Trade and other payables		703,380	42,304,509
		(161,140,874)	(263,470,854)
Cash generated from operations		171,683,593	394,422,680
Finance cost paid		(125,731,592)	(159,892,891)
Staff retirement benefits paid		(3,297,396)	(2,737,323)
Worker's profit participation fund paid		(22,682,005)	(13,022,337)
Worker's welfare fund paid		(7,900,658)	(4,150,244)
Taxes paid		(16,634,053)	(60,277,024)
		(176,245,704)	(240,079,819)
Net cash (outflows)/inflows from operating activities		(4,562,111)	154,342,861
Cash flows from investing activities			
Capital expenditure incurred		(70,138,180)	(125,738,970)
Sale proceeds of property, plant and equipment		754,310	275,000
Short term investments		(2,343,578)	-
Net cash outflows from investing activities		(71,727,448)	(125,463,970)
Cash flows from financing activities			
Repayment of long term loans		(91,433,546)	(71,093,103)
Payment of finance lease liabilities		(527,705)	-
Net movement in short term borrowings - secured		185,859,945	42,459,825
Net cash inflows/(outflows) from financing activities		93,898,694	(28,633,278)
Increase in cash and cash equivalents		17,609,135	245,613
Cash and cash equivalents at the beginning of the year		17,592,276	17,346,663
Cash and cash equivalents at the end of the year	19	35,201,411	17,592,276

The attached notes 1 to 34 form an integral part of these financial statements.

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Lahore **Chief Executive** **Director**

Al Nasr Textiles Limited
Statement of Changes in Equity
For the year ended 30 June 2012

	Share capital	Accumulated profit	Total
	-----Rupees-----		
Balance as at 30 June 2010	342,000,000	109,601,042	**451,601,042**
Total comprehensive income for the year	-	300,565,206	**300,565,206**
Balance as at 30 June 2011	342,000,000	410,166,248	**752,166,248**
Total comprehensive income for the year	-	68,394,091	**68,394,091**
Balance as at 30 June 2012	342,000,000	478,560,339	**820,560,339**

The attached notes 1 to 34 form an integral part of these financial statements.

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Lahore **Chief Executive** **Director**

1 Status and nature of business

Al Nasr Textiles Limited ("the Company") was incorporated in Pakistan in July 2001 as a public limited company (unquoted) under Companies Ordinance, 1984. The Company is a subsidiary of Pak Kuwait Textiles Limited, which holds 96.84% of equity. The principal activity of the Company is manufacturing and sale of 100% cotton yarn. The registered address of the Company is 29-Shadman II, Lahore, Pakistan.

2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3 Significant accounting policies

3.1 Accounting convention and basis of preparation

These financial statements have been prepared under the historical cost convention.

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

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

- Residual value and useful life of depreciable assets (note 3.7 & 13)
- Provision for taxation (note 3.3 & 27)
- Staff retirement benefits (note 3.4 & 7.1)

3.2 Standards, Interpretations and amendments to published approved accounting standards

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012:

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Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains amounting to Rs. 2.164 million at 30 June 2012 would need to be recognized in other comprehensive income.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations:

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

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IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

3.3 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits and rebates, if any.

Deferred

Deferred tax is recognized using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, the Company recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

3.4 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its permanent employees subject to completion of a prescribed qualifying period of service. Contribution is made annually on the basis of actuarial recommendation to cover obligation under the scheme. Actuarial valuation of the scheme is undertaken at appropriate regular intervals and the latest valuation was carried out at 30 June 2012, using the "Projected Unit Credit Method".

The amount recognized in balance sheet represents the present value of the defined benefit obligation as on 30 June 2012 as adjusted for unrecognized actuarial gains and losses.

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Cumulative net unrecognized actuarial gains and losses at the end of the previous year which exceed 10% of the greater of the present value of the Company obligations and the fair value of plan assets are amortized over the expected average working lives of the participating employees.

3.5 Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instruments.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial assets.

Financial liabilities are de-recognized when they are extinguished, that is, when the obligation specified in the contract is extinguished, cancelled, or expired. The particular measurement methods adopted for various financial instruments are disclosed in the individual policy statements associated with each item.

3.6 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method.

3.7 Property, plant and equipment

Owned

Property, plant and equipment except freehold land and capital work in progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss. Depreciation is charged to income by applying the reducing balance method at rates indicated in note 13 to these financial statements.

Depreciation on additions to property, plant and equipment is charged on full month basis when asset is capitalized, while no depreciation is charged in the month of disposal.

Major repairs and maintenance, which enhance the production capacity, quality of the premium products and increase the life of machinery, are capitalized, whereas, normal repairs and maintenance are charged to income as and when incurred.

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

Capital work in progress

Capital work in progress are stated at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

Leased

Assets subject to finance lease are accounted for by recording the assets at the lower of present value of minimum lease payments under the lease agreements and the fair value of lease assets acquired. Depreciation is provided on "Straight Line" method, on full month basis starting from the month of capitalization, by using the rates specified in note 13. The financial charges are calculated at the interest rates implicit in the lease and are charged to income.

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3.8 Investments

Investments at fair value through profit and loss account

Short term investments in listed securities are classified as investments at fair value through profit and loss account and are initially recognized at cost. Subsequent to initial recognition these investments are remeasured to fair value. Fair value represents quoted bid price of the securities. Any resulting gain or loss in respect of these investments is recognized in the profit and loss account in the period in which such gain/loss arises.

3.9 Stores, spares and stocks

These are valued at lower of cost or net realizable value.

Cost has been determined as follows:

Stores and spares	At moving average cost.
Raw material	At weighted average cost.
Work in process	At average manufacturing cost.
Finished goods	At average manufacturing cost.

Items in transit, are valued at cost comprising invoiced value and related expenses.

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

3.10 Receivables

Receivables are carried at original invoice amount 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.

3.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances.

3.12 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax.

Revenue is recognized when the risks and rewards of ownership are transferred i.e. on dispatch in case of local sales and on preparation of bill of lading in case of exports and when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return.

Mark up income is accrued on a time basis, by reference to the principal outstanding and at the agreed mark up rate applicable.

Dividend income is recognized when the right to receive payment is established.

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3.13 Foreign currencies

Foreign currency transactions are converted into Pak Rupees using the exchange rates prevailing on the date of transaction while monetary assets and liabilities are converted into Pak Rupees using the exchange rates prevailing at the balance sheet date. All exchange differences are charged to profit and loss account.

3.14 Borrowing costs

Borrowings and other related costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

3.15 Provisions

Provisions are recorded when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.16 Impairment losses

The carrying amount of the Company's assets except for, inventories, investment property and deferred tax asset, are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been charged.

3.17 Related party transactions

The Company enters into transaction with related parties on arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

	2012	2011
	Rupees	Rupees
4 Issued, subscribed and paid-up capital		
34,200,000 (2011: 34,200,000) ordinary shares of Rs. 10 each fully paid in cash	**342,000,000**	342,000,000

4.1 Pak Kuwait Textiles Limited is the parent company which holds 96.84% (2011 : 96.84%) equity in the Company.

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5 **Long term loans - secured**

Banking Companies	Note	2012 Rupees	2011 Rupees	Number of remaining installments
Faysal Bank Limited				
Term Finance				
Facility No. 3-EOP	*5.4*	-	2,705,882	02 equal quarterly installments paid during the year.
Facility No. 4-EOP	*5.4*	**1,472,102**	2,944,200	04 equal quarterly installments ending on 07 May 2013.
Facility No. 8	*5.1*	**88,144,739**	132,217,111	08 quarterly installments ending on 01 May 2014.
National Bank of Pakistan				
Demand Finance I	*5.2*	**10,613,781**	32,330,721	01 equal semi annual installment ending on 19 November 2012.
Demand Finance I-EOP	*5.4*	-	4,141,530	01 equal semi annual installment paid during the year.
Demand Finance II	*5.2*	**65,393,370**	108,988,950	06 quarterly installments ending on 22 October 2013.
Demand Finance II-EOP	*5.4*	**1,702,210**	5,106,630	02 quarterly installments ending on 22 October 2012.
Bank Al-Habib Limited				
Term Finance-I	*5.3*	**12,187,500**	15,000,000	39 equal monthly installments ending on 13 September 2015.
Term Finance-II	*5.7*	**14,242,000**	-	16 equal quarterly installments ending on 28 February 2017.
Term Finance-III	*5.8*	**37,258,000**	-	16 equal quarterly installments ending on 03 May 2017.
Habib Bank Limited				
Demand Finance	*5.6*	**30,555,552**	42,777,776	10 equal quarterly installments ending on 05 October 2014.
MCB Bank Limited				
Demand Finance	*5.5*	**47,530,000**	54,320,000	14 equal quarterly installments ending on 28 September 2015.
		309,099,254	400,532,800	
Less: Current maturity	*9*	**(135,293,385)**	(146,328,541)	
		173,805,869	254,204,259	

5.1 The principal is repayable in 16 quarterly installments started 01 August 2010. Markup is charged at the rate of six months KIBOR plus 2.5% per annum. The facility is secured by way of first pari passu charge on all present and future fixed assets to the extent of Rs. 425 million and personal guarantees of all the directors of the Company.

5.2 These loan are secured by first parri passu charge on property plant and equipment of the Company for Rs. 581 million along with personal guarantees of Directors of the Company. Demand finance-I carries mark up of 6 month KIBOR plus 2% per annum with a floor of 5.5% while Demand finance-II carries mark up of 3 month KIBOR plus 2% per annum with a floor of 5.5% payable quarterly.

5.3 This loan is secured by first joint parri passu charge on property, plant and equipment of the company for Rs. 93.5 million. Term finance-1 carries mark up of 6 months KIBOR plus 2% per annum payable quarterly.

5.4 These loans have been provided to the Company under the Long Term Finance - Export Oriented Projects (EOP) arrangement of the State Bank of Pakistan. These carry a low and fixed mark up rate of 7 % per annum for export oriented projects.

5.5 This facility is secured by way of first joint pari passu charge on fixed assets for Rs.80 million and personal guarantees of the directors of the Company markup is charged at the rate of 3 month KIBOR plus 2 %. The principal is repayable in 16 quarterly installments ending on 28 September, 2015.

5.6 These loans are secured by ranking charge registered at Rs. 75 million over the fixed assets of the Company. Principal is payable in 18 quarterly installments started 05 July 2010. Markup is charged at the rate of 6 months KIBOR plus 2.75 % per annum.

5.7 This loan is secured by way of first pari passu charge over present and future fixed assets of the company for Rs. 120 million. Term finance -I carry mark up of 6 months KIBOR plus 2% per annum. The Principal will be repayable in 16 quarterly installments starting from 31 May 2013.

5.8 This loan is secured by way of first pari passu charge over present and future fixed assets of the company for Rs. 120 million. Term finance -I carry mark up of 6 months KIBOR plus 2% per annum. The Principal will be repayable in 16 quarterly installments starting from 03 August 2013.

	Note	**2012 Rupees**	2011 Rupees
6 Liabilities against assets subject to finance lease			
Present value of minimum lease payments		**2,708,204**	3,235,909
Less: Current portion shown under current liabilities	*9*	**(646,057)**	(526,310)
		2,062,147	2,709,599

The minimum lease payments have been discounted at an implicit interest rate of 18.95% & 20.80% (2011: 19.35% & 20.64%) to arrive at their present value. At the end of the lease term, the assets shall be transferred in the name of the lessee. The amount of the future payments and the period in which they will become due are:

	2012		2011	
	Not later than one year	**Later than one year but not later than five**	Not later than one year	Later than one year but not later than five years
	Rupees			
Minimum lease payments	**746,256**	**2,068,876**	745,032	2,813,704
Future finance cost	**100,199**	**6,729**	218,722	104,105
Present value of lease liability	**646,057**	**2,062,147**	526,310	2,709,599

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	Note	2012 Rupees	2011 Rupees
7 Deferred liabilities			
Deferred tax liability		**116,957,696**	76,957,696
Staff retirement benefits	*7.1*	**27,923,643**	22,414,125
		144,881,339	99,371,821

7.1 Staff retirement benefits

	2012	2011
Balance as at 01 July	**22,414,125**	17,031,565
Provision for the year	**8,806,914**	8,119,883
	31,221,039	25,151,448
Payments made during the year	**(3,297,396)**	(2,737,323)
Balance as at 30 June	**27,923,643**	22,414,125

7.1.1 Changes in present value of defined benefit obligation

	2012	2011
Present value of defined benefit obligation as at 01 July	**21,898,924**	18,362,570
Current service cost	**5,364,885**	5,540,195
Interest cost for the period	**3,065,849**	2,203,508
Benefits paid during the year	**(3,297,396)**	(2,737,323)
Actuarial gain on present value of defined benefit obligation	**(521,154)**	(1,470,026)
Present value of defined benefit obligation as at 30 June	**26,511,108**	21,898,924

7.1.2 Expense recognised in profit and loss account are as follows

	2012	2011
Charge for the year has been allocated as follows:		
Current service cost	**5,364,885**	5,540,195
Interest cost for the year	**3,065,849**	2,203,508
Liability charged due to application of IAS - 19	**376,180**	376,180
	8,806,914	8,119,883

7.1.3 Amounts recognized in the balance sheet are as follows:

	2012	2011
Present value of defined benefit obligation	**26,511,108**	21,898,924
Unrecognized transitional liability	**(752,362)**	(1,128,542)
Unrecognized actuarial gain	**2,164,897**	1,643,743
Liability as at 30 June	**27,923,643**	22,414,125

7.1.4 The Company expects to pay Rs. 12.341 million in contributions to the defined benefit plan during 2013.

7.1.5 Assumptions used for valuation of the defined benefit scheme for management and non-management staff are as under:

		2012	2011
Discount rate	Per annum	**13%**	14%
Expected rate of increase in salary	Per annum	**12%**	13%
Average expected remaining working life time of employees	Number of years	**5**	4

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8 Short term borrowing - secured

Finance limits available from banks are of Rs. 1,685 million (2011 : Rs. 1,535 million). These are secured against the current assets of the Company, namely stocks, raw material, book debts & receivables, amounting to Rs. 489 million (2011 : Rs. 489 million). Mark up is charged at rates ranging from 13.36% to 15.37% per annum (2011 : 13.79% to 17.79% per annum).

		Note	2012 Rupees	2011 Rupees
9	**Current portion of long term liabilities**			
	Long term loans	*5*	**135,293,385**	146,328,541
	Liabilities against assets subject to finance lease	*6*	**646,057**	526,310
			135,939,442	146,854,851
10	**Trade and other payables**			
	Trade creditors		**52,314,254**	44,289,686
	Accrued expenses		**62,087,144**	36,080,121
	Advances from customers		**15,574,027**	45,927,676
	Due to parent company (Pak Kuwait Textiles Limited)		-	3,097,161
	Workers' profit participation fund	*10.1*	**6,751,952**	20,791,204
	Worker welfare fund		**2,118,862**	7,900,658
	Withholding tax payable		**324,003**	201,404
			139,170,242	158,287,910
10.1	Workers' profit participation fund			
	Balance as at 01 July		**20,791,204**	11,981,577
	Provision for the year	*26*	**6,751,952**	20,791,204
	Interest for the year	*24*	**1,890,801**	1,040,760
			29,433,957	33,813,541
	Less: Payments made during the year		**22,682,005**	13,022,337
	Balance as at 30 June		**6,751,952**	20,791,204
11	**Mark up payable on secured loans**			
	Long term loan - secured		**7,908,120**	10,998,701
	Short term borrowings - secured		**18,100,925**	18,456,247
			26,009,045	29,454,948

12 Contingencies and commitments

12.1 Contingencies

There are no significant contigencies at the balance sheet date (2011: Nil)

12.2 Commitments

12.2.1 Aggregate amount of bank guarantees issued by banks outstanding as at balance sheet date amounted to Rs. 30.176 million (2011: Rs. 37.804 million)

12.2.2 Letter of credit for import of plant and machinery, raw material and spares outstanding as at balance sheet date amounted to Rs. 186.868 million (2011: Rs. 3.246 million).

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13 Property, plant and equipment

	Cost					Depreciation				
	As at 01 July 2011	Additions	(Disposals)	As at 30 June 2012	Rate	As at 01 July 2011	For the year	Adjustments on disposals	As at 30 June 2012	Net book value as at 30 June 2012
	Rupees				%	Rupees				
Owned										
Land	33,957,369	900,000	-	34,857,369	-	-	-	-	-	34,857,369
Building	195,142,010	1,616,872	-	196,758,882	5	53,063,401	7,110,667	-	60,174,068	136,584,814
Plant and machinery	1,107,954,063	60,101,607	(6,666,666)	1,161,389,004	10 & 5	409,759,752	45,272,972	4,456,386	450,576,338	710,812,666
Power house	112,009,094	-	-	112,009,094	10	52,517,942	5,949,115	-	58,467,057	53,542,037
Vehicles	1,039,004	-	-	1,039,004	20	518,258	104,149	-	622,407	416,597
Furniture and fixture	3,076,431	-	-	3,076,431	10	1,404,399	167,203	-	1,571,602	1,504,829
Electric installation	56,426,859	-	-	56,426,859	10	23,639,555	3,278,730	-	26,918,285	29,508,574
Tools and equipment	9,823,776	58,000	-	9,881,776	10	4,601,692	523,175	-	5,124,867	4,756,909
Office equipment	3,457,950	178,697	-	3,636,647	10	1,440,325	214,040	-	1,654,365	1,982,282
								-		
	1,522,886,556	62,855,176	(6,666,666)	1,579,075,066		546,945,324	62,620,053	4,456,386	605,108,989	973,966,077
Leased										
Vehicles	3,630,000	-	-	3,630,000	20	605,000	726,000	-	1,331,000	2,299,000
2012	1,526,516,556	62,855,176	(6,666,666)	1,582,705,066		547,550,324	63,346,053	4,456,386	606,439,989	976,265,077

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Property, plant and equipment

	Cost					Depreciation				Net book
	As at 01 July 2010	Additions	(Disposals)	As at 30 June 2011	Rate	As at 01 July 2010	For the year	Adjustments on disposals	As at 30 June 2011	value as at 30 June 2011
	---Rupees---				%	---Rupees---				
Owned										
Land	11,957,369	22,000,000	-	33,957,369	-	-	-	-	-	33,957,369
Building	183,051,151	12,090,859	-	195,142,010	5	45,797,700	7,265,701	-	53,063,401	142,078,609
Plant and machinery	1,028,591,287	86,029,443	(6,666,667)	1,107,954,063	10 & 5	368,194,435	45,552,857	3,987,540	409,759,752	698,194,311
Power house	110,474,094	1,535,000	-	112,009,094	10	46,071,832	6,446,110	-	52,517,942	59,491,152
Vehicles	1,963,804	87,850	(1,012,650)	1,039,004	20	1,123,911	128,356	734,009	518,258	520,746
Furniture and fixture	3,076,431	-	-	3,076,431	10	1,218,618	185,781	-	1,404,399	1,672,032
Electric installation	56,426,859	-	-	56,426,859	10	19,996,521	3,643,034	-	23,639,555	32,787,304
Tools and equipment	9,823,776	-	-	9,823,776	10	4,021,462	580,231	-	4,601,693	5,222,083
Office equipment	3,092,132	365,818	-	3,457,950	10	1,232,067	208,257	-	1,440,324	2,017,626
	1,408,456,903	122,108,970	(7,679,317)	1,522,886,556		487,656,546	64,010,327	4,721,549	546,945,324	975,941,232
Leased										
Vehicles	-	3,630,000	-	3,630,000	20	-	605,000	-	605,000	3,025,000
2011	1,408,456,903	125,738,970	(7,679,317)	1,526,516,556		487,656,546	64,615,327	4,721,549	547,550,324	978,966,232

13.1 Depreciation has been allocated as follows:

	2012 Rupees	2011 Rupees
Cost of sales	**62,406,752**	63,655,175
Administrative expenses	**939,301**	960,155
	63,346,053	64,615,330

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	Note	2012 Rupees	2011 Rupees
14 Stores, spares and loose tools			
Stores		**15,766,858**	13,603,142
Spares		**11,396,652**	16,094,508
Loose tools		**29,598**	28,211
		27,193,108	29,725,861
15 Stock in trade			
Raw material		**376,854,821**	268,294,715
Work in process		**20,287,797**	17,402,731
Finished goods		**52,333,623**	142,148,830
		449,476,241	427,846,276
16 Trade debts			
Local debtors - unsecured		**91,679,852**	160,717,066
Foreign debtors - secured		**221,898,793**	16,329,721
		313,578,645	177,046,787
17 Advances, deposits, prepayments and other receivables			
Advances to employees - secured, considered good	*17.1*	**1,176,432**	981,880
Advances to suppliers - considered good		**32,249**	148,980
Security deposits		**9,554,000**	7,766,000
Sales tax receivable		**18,742,872**	15,338,413
Advance against letters of credit		**2,146,873**	386,571
Advance income tax		**55,160,220**	73,222,758
Margin on letter of credit/guarantee		**2,372,427**	2,000,000
Other receivable		**1,055,315**	2,243,143
		90,240,388	102,087,745

17.1 The advances to employees are interest free. Chief Executive and directors have not taken any advances from the Company (2011: Rs.Nil).

	2012 Rupees	2011 Rupees
18 Short term investments		
Investments at fair value through profit and loss account	**2,343,578**	-
Fair value adjustment	-	-
	2,343,578	-

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		2012 Rupees	2011 Rupees
19	**Cash and bank balances**		
	Cash in hand	176,716	251,826
	Cash at bank:		
	Current accounts	35,016,448	17,332,352
	Saving account	8,247	8,098
		35,201,411	17,592,276

19.1 The balance is saving account been markup at the rate of 6% (2011: 5%) per annum.

		Note	2012 Rupees	2011 Rupees
20	**Sales - Net**			
	Local			
	Cotton yarn - local		2,021,697,446	1,693,281,056
	Raw cotton - local		4,006,592	-
			2,025,704,038	1,693,281,056
	Export			
	Cotton yarn	20.1	886,613,500	1,423,717,931
	Waste sales		190,808,413	206,757,608
			3,103,125,951	3,323,756,595
	Less: Sales tax		(319,159)	(182,710)
	Commission		(18,667,790)	(24,605,560)
			3,084,139,002	3,298,968,325

20.1 These include indirect exports, taxable under Section 154 (3) of the Income Tax Ordinance, 2001, amounting to Rs. 316.260 million (2011 : Rs. 1,190.524 million).

		Note	2012 Rupees	2011 Rupees
21	**Cost of sales**			
	Opening stock - finished goods		142,148,830	22,736,304
	Add: Cost of goods manufactured	21.1	2,672,960,904	2,789,902,827
			2,815,109,734	2,812,639,131
	Less: Closing stock finished goods		(52,333,623)	(142,148,830)
			2,762,776,111	2,670,490,301
21.1	**Cost of goods manufactured**			
	Raw material consumed	21.2	2,063,945,904	2,252,687,275
	Cost of raw cotton		3,940,521	-
	Salaries, wages and benefits		105,158,371	101,928,602
	Workers welfare		9,737,829	9,371,356
	Power and fuel		289,151,822	225,052,065
	Stores and spares consumed		46,126,614	60,499,030
	Packing material consumed		45,283,204	39,935,283
	Repair and maintenance		24,064,516	17,947,277
	Vehicles running and maintenance		1,757,198	1,815,695
	Insurance		8,016,410	8,162,509
	Staff retirement benefits		8,220,374	7,581,455
	Rent, rates, taxes and telephone charges		1,474,080	1,453,013
	Freight charges		448,930	463,299
	Entertainment		380,774	468,721
	Depreciation	13.1	62,406,752	63,655,175
	Other expenses		5,732,671	5,432,190
			2,675,845,970	2,796,452,945
	Add: Opening work in process		17,402,731	10,852,613
			2,693,248,701	2,807,305,558
	Less: Closing work in process		(20,287,797)	(17,402,731)
			2,672,960,904	2,789,902,827

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	Note	2012 Rupees	2011 Rupees
21.2 Raw material consumed			
Opening stock		268,294,715	182,523,236
Purchases		2,176,446,531	2,338,458,754
		2,444,741,246	2,520,981,990
Less: cost of raw cotton		(3,940,521)	-
Available for consumption		2,440,800,725	2,520,981,990
Closing stock		(376,854,821)	(268,294,715)
		2,063,945,904	2,252,687,275

22 Administrative expenses

	Note	2012 Rupees	2011 Rupees
Salaries and other benefits		4,816,257	4,408,994
Traveling expenses		103,508	100,180
Telephone, postage and telegrams		318,865	316,746
Rent, rates and taxes		2,115,217	43,420
Power and fuel		643,563	616,021
Printing and stationery		284,931	195,603
Staff welfare		560,871	498,124
Entertainment		64,570	70,393
Insurance		139,558	293,122
Repair and maintenance		323,006	174,398
Legal and professional charges		2,010,500	334,000
Auditors' remuneration	22.1	236,700	257,234
Vehicle running and maintenance		1,002,480	1,173,879
Charity & donation		200,000	700,000
Subscription fees		226,023	154,423
Staff retirement benefits		586,540	538,428
Depreciation	13.1	939,301	960,155
Other expenses		229,173	75,111
		14,801,063	10,910,231

22.1 Auditors' remuneration

		2012 Rupees	2011 Rupees
Audit fee		175,500	175,500
Out of pocket expense		61,200	81,734
		236,700	257,234

23 Distribution cost

		2012 Rupees	2011 Rupees
Freight and other expenses - export		28,938,757	14,880,936
Freight and other expenses - local		13,977,379	17,774,762
Loading and other expenses		3,895,539	2,504,485
		46,811,675	35,160,183

24 Finance cost

	Note	2012 Rupees	2011 Rupees
Interest and mark-up on			
- long term loans		49,148,891	65,369,308
- Finance lease		211,639	239,874
- short term borrowing		72,433,040	97,919,771
Interest on worker's profit participation fund	10.1	1,890,801	1,040,760
Bank charges		492,119	1,040,998
		124,176,490	165,610,711

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	Note	2012 Rupees	2011 Rupees
25 Other operating income			
Gain on sale of scrap/store items		**205,431**	160,821
Bailing		**589,246**	392,224
Gain on Saving Growth Fund		**83,525**	-
Profit on saving account		**43,145**	46,906
		921,347	599,951
26 Other operating expenses			
Worker's profit participation fund	*10.1*	**6,751,952**	20,791,204
Worker's welfare fund		**2,118,862**	7,900,658
Loss on disposal of property, plant and equipment		**1,455,970**	1,572,768
		10,326,784	30,264,630
27 Provision for taxation			
Current		**24,464,861**	41,387,317
Prior year		**(6,690,726)**	(1,174,239)
		17,774,135	40,213,078
Deferred		**40,000,000**	46,353,936
		57,774,135	86,567,014

27.1 Since the Company is subject to minimum tax under section 113 of the Income Tax Ordinance, 2001, therefore tax charge reconciliation has not been prepared.

28 Earnings per share - basic and diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

		2012	2011
Profit for the year after taxation	*Rupees*	**68,394,091**	300,565,206
Weighted average number of ordinary shares	*Number of shares*	**34,200,000**	34,200,000
Earnings per share		**2.00**	8.79

29 Transactions with related party

Related parties comprise Pak Kuwait Textiles Limited (the Parent Company). Amounts due to/from related parties have been disclosed in the respective receivables and payables.

Transactions with Pak Kuwait Textiles Limited during the year are as follow:

	2012 Rupees	2011 Rupees
Purchase of machinery	-	2,834,503
Purchase of stores items	**3,503,200**	6,353,536
Sale of stores items	**684,400**	634,177
Purchase of cotton	-	69,689,371
Payments		97,853,090
Sale of yarn	**8,836,950**	16,250
Others	-	1,018,283

All transactions with related party have been carried out on commercial terms and conditions.

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30 Financial Instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

30.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted and arises principally from trade receivables and investment in debt securities. Out of the total financial assets of Rs. 383.860 million (2011: Rs 223.504 million), the financial assets which are subject to credit risk amounted to Rs. 383.684 million (2011: Rs. 223.252 million)

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales tenders and credit terms are approved by the tender approval committee. Where considered necessary, advance payments are obtained from certain parties. Export sales made to major customers are secured through letters of credit. Management expects to recover local and export debts within a maximum time period of 120 days.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	2012 Rupees	2011 Rupees
Trade debts	313,578,645	177,046,784
Advances, deposit and other receivables	35,080,168	28,864,987
Bank balances	35,024,695	17,340,450
	383,683,508	223,252,221

The trade debts as at the balance sheet date are classified as follows:

Trade debtors at the balance sheet date represent both domestic parties and export parties.

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

	2012 Rupees	2011 Rupees
Receivables export	221,898,793	16,329,721
Receivables local	83,986,571	151,395,199
Waste receivables	7,693,281	9,321,864
	313,578,645	177,046,784

The aging of trade receivable at the reporting date is:

Past due 1-30 days	113,259,331	121,836,862
Past due 30-180 days	187,530,461	55,198,722
Past due 180 days	12,788,853	11,200
	313,578,645	177,046,784

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as there are reasonable grounds to believe that the amounts will be recovered in short course of time.

30.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained running finance facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

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The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2012					
	Carrying amount	**Contractual Cash flows**	**Six months or less**	**Six to twelve months**	**One to two years**	**Two to five years**
	-------Rupees-------					
Financial Liabilities						
Long term loans - secured	**309,099,254**	**309,099,254**	**71,662,129**	**65,783,638**	**108,297,386**	**63,356,101**
Trade and other payables	**67,888,281**	**67,888,281**	**67,888,281**	**-**	**-**	**-**
Mark up payable on secured loans	**26,009,045**	**63,598,869**	**20,930,556**	**16,088,669**	**16,689,392**	**9,890,252**
Short term borrowing - secured	**434,688,166**	**434,688,166**	**-**	**434,688,166**	**-**	**-**
	837,684,746	**875,274,570**	**160,480,966**	**516,560,473**	**124,986,778**	**73,246,353**

	2011					
	Carrying amount	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	-------Rupees-------					
Financial Liabilities						
Long term loans - secured	400,532,813	400,532,813	74,421,730	143,568,947	169,544,636	12,997,500
Trade and other payables	90,217,362	90,217,362	90,217,362	-	-	-
Mark up payable on secured loans	29,454,948	84,457,948	25,158,639	40,531,289	17,846,247	921,773
Short term borrowing - secured	248,828,221	248,828,221	-	248,828,221	-	-
	769,033,344	824,036,344	189,797,731	432,928,457	187,390,883	13,919,273

30.3 **Market risk**

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

30.3.1 **Currency risk**

The Company is exposed to currency risk on import of raw materials and stores and spares and export of goods mainly denominated in US dollars and on foreign currency bank accounts. The Company's exposure to foreign currency risk for US Dollars is as follows:

	2012 Rupees	2011 Rupees
Foreign debtors	**221,898,793**	16,329,721
Gross balance sheet exposure	**221,898,793**	16,329,721
Outstanding letters of credit	**(2,146,873)**	(386,571)
Net exposure	**219,751,920**	15,943,150

The following significant exchange rate has been applied:
Average rate Reporting date rate

	Average rate		**Reporting date rate**	
	2012 Rupees	2011 Rupees	**2012 Rupees**	2011 Rupees
USD to PKR	**90.53**	86.23	**94.20**	86.05

Sensitivity analysis

At reporting date, if the PKR had weakened by 10% against the US Dollar with all other variables held constant, post-tax profit for the year would have been lower by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign currency bank account and foreign creditors.

	2012 Rupees	2011 Rupees
No foreign creditor		
Effect on profit or loss	**(220,672)**	(17,052)

US Dollars

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post tax loss / profits.

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

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30.3.2 **Interest rate risk**

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

	Effective rate		Carrying amount	
	2012	2011	2012	2011
Financial assets	%	%	Rupees	Rupees
Financial liabilities				
Variable rate instruments				
Long term loans - secured	13.91 - 16.53	14.29-16.37	309,099,254	400,532,813
Short term borrowing - secured	13.36 - 15.37	13.79-17.79	413,455,166	248,828,221
Export Refinance	13.37 - 13.40	-	21,233,000	-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit and loss 100 bp	
	Increase	Decrease
	Rupees	Rupees
As at 30 June 2012		
Cash flow sensitivity-Variable rate financial liabilities	7,437,874	(7,437,874)
As at 30 June 2011		
Cash flow sensitivity-Variable rate financial liabilities	6,493,610	(6,493,610)

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

30.4 **Capital management**

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) To provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

	2012	2011
	Rupees	Rupees
Total debt	311,807,458	403,768,709
Total equity and debt	1,132,367,797	1,155,934,957
Debt-to-equity ratio	28%	35%

The decrease in the debt-to-equity ratio in 2012 resulted primarily due to repayment of borrowings obtained by the Company.

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

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31 Remuneration of Chief Executive and Executives

The aggregate amounts charged in the financial statements for the remuneration, including all benefits, to the executives of the Company were as follows:

	Chief Executive		Executives		Total	
	2012	2011	2012	2011	2012	2011
	Rupees					
Managerial remunerations	-	-	**1,680,000**	1,680,000	**1,680,000**	1,680,000
Retirement benefits	-	-	**110,000**	110,000	**110,000**	110,000
Utilities	-	-	**120,000**	120,000	**120,000**	120,000
Medical expenses	-	-	**106,485**	93,153	**106,485**	93,153
	-	-	**2,016,485**	2,003,153	**2,016,485**	2,003,153
Number of persons	-	-	**1**	1	**1**	1

32 Plant capacity and actual production

Spinning	*Unit*	2012	2011
Number of spindles installed	*No.*	**41,376**	41,376
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**15,156,199**	15,156,199
Actual production converted into 20s count	*Kgs*	**16,754,806**	17,336,832

It is difficult to precisely describe production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw material used, spindle speed and twist, picks etc. It would also vary accordingly to the pattern of production adopted in a perticular year.

33 Date of authorization for issue

These financial statements were authorized for issue on 09 OCT 2012 by the Directors of the Company.

34 General

34.1 Figures have been rounded off to the nearest rupees.

34.2 Corresponding figures have been re-arranged, where necessary for the purpose of comparison.

KPMGTH

Lahore

Chief Executive

Director