

Pak Kuwait Textiles Limited
Financial statements for the year ended
30 June 2011



KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Pakistan

Telephone + 92 (42) 3585 0471-76
Fax + 92 (42) 3585 0477
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of **Pak Kuwait Textiles Limited** ("the Company") as at 30 June 2011 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 2011 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).

Lahore

Date: 08 October 2011

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.

Chartered Accountants

(Farid Uddin Ahmed)

Pak Kuwait Textiles Limited
Balance Sheet
As at 30 June 2011

SHARE CAPITAL AND LIABILITIES

	Note	2011 Rupees	2010 Rupees	Note	2011 Rupees	2010 Rupees
Share capital and reserve						
Authorised capital: 40,000,000 (2010: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000			
Issued, subscribed and paid up capital	4	375,000,000	375,000,000			
Accumulated profit		594,469,854	255,204,993			
		969,469,854	630,204,993			
Long term loans	5	120,801,942	167,440,065			
Liabilities against assets subject to finance lease	6	3,202,165	1,550,352			
Deferred liabilities	7	112,343,519	129,395,352			
Current liabilities						
Current portion of long term liabilities	8	60,531,563	51,191,445			
Short term borrowing - secured	9	590,660,231	430,099,036			
Trade and other payables	10	136,719,051	104,560,143			
Mark up accrued on loans	11	40,203,034	24,717,586			
Taxation		48,045,449	43,810,025			
		876,159,328	654,378,235			
Contingencies and commitments	12					
		2,081,976,808	1,582,968,997			
Property, plant and equipment	13	639,804,976	636,369,850			
Capital Work in Progress		1,672,011	-			
Long term investments	14	331,190,000	331,190,000			
Current assets						
Stores, spares and loose tools	15	39,339,079	31,873,091			
Stock in trade	16	607,396,973	322,491,506			
Short term Investment	17	69,805,465	-			
Trade debts - unsecured	18	228,975,778	131,686,980			
Advances, deposits, prepayments and other receivables	19	141,101,642	96,410,447			
Cash and bank balances	20	22,690,884	32,947,123			
		1,109,309,821	615,409,147			
		2,081,976,808	1,582,968,997			

The attached notes 1 to 33 form an integral part of these financial statements.

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Chief Executive


Director

Pak Kuwait Textiles Limited
 Profit and Loss Account
 For the year ended 30 June 2011

	Note	2011 Rupees	2010 Rupees
Sales - net	21	4,331,918,052	2,647,725,793
Cost of sales	22	(3,612,388,408)	(2,145,453,169)
Gross profit		719,529,644	502,272,624
Operating expenses			
Administrative expenses	23	(38,987,990)	(41,656,508)
Distribution cost	24	(68,419,478)	(49,632,140)
		(107,407,468)	(91,288,648)
Operating profit		612,122,176	410,983,976
Finance cost	25	(167,211,845)	(140,420,443)
		444,910,331	270,563,533
Other operating income	26	1,376,980	7,452,565
Other operating expenses	27	(30,793,825)	(15,637,599)
Profit before taxation		415,493,486	262,378,499
Provision for taxation	28	(57,478,625)	(64,654,181)
Profit after taxation		358,014,861	197,724,318

The attached notes 1 to 33 form an integral part of these financial statements.

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 Chief Executive


 Director

Pak Kuwait Textiles Limited
Statement of Comprehensive Income
For the year ended 30 June 2011

	2011 Rupees	2010 Rupees
Profit after tax	358,014,861	197,724,318
Other comprehensive income	-	-
Total comprehensive income for the year	<u>358,014,861</u>	<u>197,724,318</u>

The attached notes 1 to 33 form an integral part of these financial statements.

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Chief Executive


Director

Pak Kuwait Textiles Limited
 Statement of Changes in Equity
 For the year ended 30 June 2011

	Share capital Rupees	Accumulated profit Rupees	Total Rupees
Balance as at 30 June 2009	375,000,000	57,480,675	432,480,675
Total comprehensive income for the year	-	197,724,318	197,724,318
Balance as at 30 June 2010	375,000,000	255,204,993	630,204,993
Total comprehensive income for the year	-	358,014,861	358,014,861
Dividend for the year ended 30 June 2010 @ 5%		(18,750,000)	(18,750,000)
Balance as at 30 June 2011	375,000,000	594,469,854	969,469,854

The attached notes 1 to 33 form an integral part of these financial statements.

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Lahore


 Chief Executive


 Director

Pak Kuwait Textiles Limited
Cash Flow Statement
For the year ended 30 June 2011

	Note	2011 Rupees	2010 Rupees
Cash flows from operating activities			
Profit before taxation		415,493,486	262,378,499
Adjustments for non cash items and other charges:			
Depreciation		60,516,575	54,435,645
Finance cost (excluding interest on WPPF)		166,083,845	140,319,235
Interest on advances		-	(6,709,504)
(Gain)/ loss on sale of property, plant & equipments		4,964,877	(190,217)
Provision for bad debts		-	5,806,553
Interest on WPPF		1,128,000	101,208
Provision for long outstanding advances		-	2,006,878
Provision for WPPF		22,314,366	13,900,805
Provision for WWF		8,479,459	1,736,794
Provision for gratuity		15,030,354	19,182,891
		278,517,476	230,590,288
Profit before working capital changes		694,010,962	492,968,787
Effect on cash flow due to working capital changes			
(Increase)/decrease in current assets:			
Stores and spares		(7,465,988)	(11,236,024)
Stock in trade		(284,905,467)	4,350,838
Trade debts		(97,288,798)	(30,519,590)
Advances, deposits, prepayments and other receivables		(4,315,588)	51,985,245
Increase/ (decrease) in current liabilities			
Trade and other payables		17,002,682	12,807,267
		(376,973,159)	27,387,736
Cash generated from operations		317,037,803	520,356,523
Finance cost paid		(150,598,397)	(149,679,696)
Gratuity paid		(44,082,187)	(7,523,596)
WWF paid		(1,736,794)	(376,957)
WPPF paid		(15,028,805)	(1,100,690)
Dividend paid		(18,750,000)	-
Taxes paid		(81,618,809)	(30,108,558)
		(311,814,992)	(188,789,497)
Net cash generated from operating activities		5,222,811	331,567,026
Cash flows from investing activities			
Capital expenditure incurred		(70,031,577)	(97,007,768)
Capital work in progress		(1,672,011)	-
Advance received from Faisalabad office		-	15,000,000
Short term Investments		(69,805,465)	-
Sale proceeds from sale of property, plant & equipment		1,115,000	415,000
Net cash used in investing activities		(140,394,053)	(81,592,768)
Cash flows from financing activities			
(Repayment) of long term loans		(37,298,005)	(78,677,978)
(Repayment) of short term loans		160,561,195	(152,073,077)
(Repayment) of liabilities against subject to finance lease		1,651,813	(533,653)
Net cash used in financing activities		124,915,003	(231,284,708)
Net increase in cash and cash equivalents		(10,256,239)	18,689,550
Cash and cash equivalents at the beginning of the year		32,947,123	14,257,573
Cash and cash equivalents at the end of the year	20	22,690,884	32,947,123

The attached notes 1 to 33 form an integral part of these financial statements.

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Chief Executive


Director

Pak Kuwait Textiles Limited
Notes to the financial statements
For the year ended 30 June 2011

1 Nature and status of the Company

Pak Kuwait Textiles Limited ("the Company") was incorporated in Pakistan in 1981 as a Public Limited Company (unquoted) under Companies Act, 1913 (now Companies Ordinance, 1984). The principal activity of the Company is the manufacture and sale of cotton polyester blended yarn and 100% carded and combed yarn. During the year ended 30 June 2011, the Company has also entered into the business of outsourcing the manufacturing of garments and then exporting the finished garments. The Company commenced its operations from September 1981. The registered address of the Company is 29- Shaman 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 property, plant and equipment (note 3.7 & 13)
- Provision for taxation (note 3.3 & 28)
- Employee retirement benefits (note 3.4 & 7)

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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 2011:

IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

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.

Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment has no impact on Company's financial statements.

Improvements to IFRSs 2010 – In May 2010 the IASB issued improvements to IFRSs 2010 which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after 1 January 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements, add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have 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.

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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.

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 01 January 2011, however, they do not affect the Company's financial statements.

3.3 Taxation

Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

Deferred

Deferred tax is recognized using balance sheet liability method, providing for temporary difference

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 a unfunded gratuity scheme for all its permanent employees subject to completion of a prescribed qualifying period of service. Contribution to the fund 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 2011, 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 2011 as adjusted for unrecognized actuarial gains and losses.

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.

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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

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

Operating assets except freehold land is stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is 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 fixed assets is charged on full month basis from the month 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 income currently.

Leased

Assets subject to finance lease are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired. The depreciation is provided on "Straight-line" method, starting on full month basis 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.

3.8 Liabilities against assets subject to finance lease

Leases of property, plant and equipment are classified as finance leases, if these transfer substantially all the risks and rewards incidental to ownership. Assets subject to finance lease are stated at amounts equal to the fair value or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of lease obligation so to achieve a constant rate of interest on the remaining liability. The interest element of rental is charged to profit over the lease term.

3.9 Capital work in progress

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

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3.10 Long term investments

Available for sale

The Company recognizes and measures its long term investments in accordance with IAS-39 "Financial Instruments: Recognition and Measurement". The investments are classified for the purpose of measurement as "available for sale".

Investments classified as "available for sale" are initially measured at cost, being the fair value of consideration given. At the subsequent reporting dates, these investments are measured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which quoted price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealized gains and losses arising from changes in fair value are taken to equity through the statement of changes in equity until the financial asset is derecognized.

At subsequent reporting dates, the Company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the decline in the fair value of asset is recognized directly in the equity. The cumulative gain or loss that had been recognized in the equity shall be removed from the equity and recognized in profit and loss account even though the financial asset has not been derecognized.

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.

3.11 Stores, spares and Stock in trade

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.

3.12 Trade debts and other receivables

Trade debts and other receivables are stated at their nominal value as reduced by appropriate allowance for doubtful debts. Bad debts are written off as and when identified.

3.13 Offsetting of financial assets and financial liabilities

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

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3.14 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 and bank balances.

3.15 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.

3.16 Foreign currency transactions

Transactions denominated in foreign currencies are translated to Pak Rupees, which is the Company's functional currency, at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Exchange differences on conversion are charged to income.

3.17 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.

3.18 Provisions

Provisions are recognized when the Company has a 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.

3.19 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.

3.20 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.

	Note	2011 Rupees	2010 Rupees
4 Issued, subscribed and paid-up capital			
2,500,000 (2010: 2,500,000) Ordinary shares of Rs. 10 each fully paid in cash		25,000,000	25,000,000
35,000,000 (2010: 35,000,000) Ordinary shares of Rs. 10 each issued as fully paid bonus shares.		350,000,000	350,000,000
		<u>375,000,000</u>	<u>375,000,000</u>
5 Long term loans			
Banking companies - secured	5.1	120,801,942	167,440,065
		<u>120,801,942</u>	<u>167,440,065</u>

5.1 Banking companies - secured

	Limit (Rupees in million)	Note	2011 Rupees	2010 Rupees
National Bank of Pakistan				
Demand Finance-I	116.22	5.1.1	101,692,136	116,219,636
Demand Finance-II	30	5.1.2	15,000,000	25,000,000
Demand Finance-III	40	5.1.3	40,000,000	26,739,567
			156,692,136	167,959,203
MCB Bank Limited	31	5.1.4	3,444,448	10,333,336
Bank Al-Habib				
Term Finance-EOP-I	40.8	5.1.5	-	9,406,060
Term Finance-EOP-II	17.4	5.1.6	-	2,681,265
Term Finance (Car Finance)	3.8	5.1.7	1,008,000	1,320,000
Term Finance	32.0	5.1.8	19,555,554	26,666,666
			20,563,554	40,073,991
Total			180,700,138	218,366,530
Less: Current maturity			(59,898,196)	(50,926,465)
			<u>120,801,942</u>	<u>167,440,065</u>

5.1.1 The facility is secured by way of first pari passu charge on fixed assets to the extent of Rs. 154.957 million and personal guarantees of all the directors of the Company. Markup is charged at the rate of 3 months KIBOR plus 2%. The loan is repayable in 14 quarterly installments ending on 31 December 2014.

5.1.2 The loan facility is secured by first parri passu charge of Rs. 40 million on present and future fixed asset of the Company and personal guarantees of directors. The facility carries mark up at the rate of 6 months KIBOR plus 2.5%. The loan is repayable in 3 semi annual installments ending on 31 December 2012.

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- 5.1.3 This facility is secured by way of first joint pari passu charge to the extent of Rs 53.334 million on present and future fixed assets of the Company and personal guarantees of the directors of the Company. Markup is charged at the rate of 3 months KIBOR plus 2%. The loan is repayable in 16 quarterly installments ending on 30 June 2015.
- 5.1.4 The loan facility is secured by way of pari passu charge to the extent of Rs. 41.334 million over property, plant and equipment of the Company. The facility carries markup at the rate of 6 months KIBOR plus 2.25%. The loan is repayable semi annually with the final installment falling on 24 November 2011.
- 5.1.5 This facility has been repaid during the year.
- 5.1.6 This facility has been repaid during the year.
- 5.1.7 The loan facility is secured by a hypothecation charge over the vehicle amounting to Rs. 2 million and joint registration with Bank Al-Habib Limited. The facility carries markup at the rate of 6 months KIBOR plus 3%. The loan is repayable in 42 monthly installments ending on 31 December 2014.
- 5.1.8 This facility was availed for the purchase of machinery. The loan is secured by way of joint pari passu charge of Rs. 164.2 million. This loan is repayable in 11 quarterly installments ending on 16 January 2014 and carries mark up at the rate of 6 months KIBOR plus 1.5%.

6 Liabilities against assets subject to finance lease

The amount of future payments and periods during which they fall are:

	Note	2011 Rupees	2010 Rupees
Minimum lease payments due:			
Not later than one year		972,501	493,599
Later than one year and not later than five years		3,264,646	1,720,339
		<u>4,237,147</u>	<u>2,213,938</u>
Less: Future financial charges		(401,615)	(398,606)
Present value of minimum lease payments	6.1	3,835,532	1,815,332
Less: Current portion	8	(633,367)	(264,980)
		<u>3,202,165</u>	<u>1,550,352</u>

6.1 Break-up of present value of minimum lease payments

Not later than one year	633,367	264,980
Later than one year and not later than five years	3,202,165	1,550,352
	<u>3,835,532</u>	<u>1,815,332</u>

The markup is charged at the rate of 6 Months KIBOR plus 7% per annum.

The rentals are payable in equal monthly installments. The Company has the option to purchase the assets at the expiry of lease term and the Company intends to exercise this option.

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	Note	2011 Rupees	2010 Rupees
7 Deferred liabilities			
Gratuity	7.1	31,985,746	61,037,579
Deferred taxation		80,357,773	68,357,773
		<u>112,343,519</u>	<u>129,395,352</u>
7.1 Staff gratuity			
Opening balance		61,037,579	49,378,284
Add: Allocation for the year		15,030,354	19,182,891
		<u>76,067,933</u>	<u>68,561,175</u>
Less: Payments during the year		(44,082,187)	(7,523,596)
Closing balance		<u>31,985,746</u>	<u>61,037,579</u>
7.1.1 Changes in present value of defined benefit obligation			
Present value of defined benefit obligation as at 01 July		61,632,373	53,276,173
Current service cost		7,634,469	8,891,861
Interest cost for the period		7,395,885	6,393,141
Benefits paid during the year		(44,082,187)	(7,523,596)
Actuarial loss on present value of defined benefit obligation		(9,663,818)	594,794
Present value of defined benefit obligation as at 30 June		<u>22,916,722</u>	<u>61,632,373</u>
7.1.2 Charge for the year			
Current service cost		7,634,469	8,891,861
Interest cost for the year		7,395,885	6,393,141
Liability charged due to application of IAS - 19		-	3,897,889
		<u>15,030,354</u>	<u>19,182,891</u>
7.1.3 Charge for the year			
The amounts recognized in the balance sheet are as follows :			
Present value of defined benefit obligation		22,916,722	61,632,373
Unrecognized transitional liability		-	-
Unrecognized actuarial gain		9,069,024	(594,794)
Liability as at 30 June		<u>31,985,746</u>	<u>61,037,579</u>
7.1.4	The Company expects to pay Rs. 10.181 million in contributions to the defined benefit plan in 2012.		
7.1.5	Assumptions used for valuation of the defined benefit scheme for management and non-management staff are as under :		
		2011	2010
Discount rate	Per annum	14%	12%
Expected rate of increase in salary	Per annum	13%	11%
Average expected remaining working life time of employees	Number of years	7	6

K/M/S/20

	Note	2011 Rupees	2010 Rupees
8 Current portion of long term liabilities			
Long term loans	5.1	59,898,196	50,926,465
Liabilities against assets subject to finance lease	6.1	633,367	264,980
		<u>60,531,563</u>	<u>51,191,445</u>

9 Short term financing - secured

Finance limits available from banks are of Rs. 2,475 million (2010: Rs. 2,310 million). These are secured by way of joint pari passu charge on current assets of the Company amounting to Rs. 1,202 million (2010: Rs.1,202 million), pledge of raw material, lien on import documents and personal guarantees of Directors. Mark up has been charged at rates ranging from 13.30% to 15.77% per annum during the year (2010: 13.23% to 16.81 % per annum).

	Note	2011 Rupees	2010 Rupees
10 Trade and other payables			
Trade creditors		28,141,310	31,573,280
Accrued expenses		40,667,964	34,907,107
Refundable security	10.1	474,688	234,688
Advances from customers		10,628,927	8,327,642
Withholding tax payable		437,081	101,856
Workers' profit participation fund	10.2	22,314,366	13,900,805
Workers' welfare fund		8,479,459	1,736,794
Payable to commission agent		21,625,041	11,890,357
Payable to clearing agent		103,975	328,175
Other payables		3,846,240	1,559,439
		<u>136,719,051</u>	<u>104,560,143</u>

10.1 These interest free security deposits are against sale of waste material, construction of road and amongst others. These are repayable on demand subject to clearance of dues.

	2011 Rupees	2010 Rupees
10.2 Workers' profit participation fund		
Opening balance	13,900,805	999,482
Add: Allocation for the year	22,314,366	13,900,805
Interest on funds utilized in the Company's business	1,128,000	101,208
	<u>37,343,171</u>	<u>15,001,495</u>
Less: Amounts paid during the year	(15,028,805)	(1,100,690)
Closing balance	<u>22,314,366</u>	<u>13,900,805</u>

11 Mark up accrued on loans

Long term loan	8,573,241	8,205,589
Short term borrowings	31,629,793	16,511,997
	<u>40,203,034</u>	<u>24,717,586</u>

12 Contingencies and commitments

Banks have issued guarantees on behalf of the Company amounting to Rs.59.444 million (2010: Rs. 49.061 million) to various parties in the normal course of business.

Commitments for capital expenditure, raw material and stores and spares as at 30 June 2011 aggregated amount to Rs. 23.39 million (2010: 5.41 million), Rs.82.56 million (2010: Rs.75.45 million) and Rs.1.24 million (2010: Rs. 2.20 million) respectively.

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13 Property, plant and equipment

	Cost			Depreciation			Written down value as at 30 June 2011
	As at 01 July 2010	Additions	As at 30 June 2011	For the year	Adjustments on disposal	As at 30 June 2011	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<i>Owned</i>							
Land freehold	1,609,826	-	1,609,826	-	-	-	1,609,826
Building on freehold land	192,253,799	2,177,298	194,431,097	6,374,534	-	73,133,500	121,297,597
Plant and machinery	1,033,333,732	55,556,839	1,077,391,163	47,129,137	6,268,955	614,917,406	462,473,757
Electric installation	82,246,839	6,337,294	87,469,768	3,711,416	1,063,084	52,327,905	35,141,863
Tools and equipment	6,746,240	-	6,746,240	134,641	-	5,534,487	1,211,753
Furniture and fixture	3,905,380	13,000	3,918,380	160,546	-	2,463,720	1,454,660
Office equipment	10,839,767	825,520	11,665,287	611,876	-	5,709,949	5,955,338
Vehicles	17,495,522	2,561,626	18,154,965	1,504,625	1,104,061	10,959,533	7,195,432
	1,348,431,125	67,471,577	1,401,386,726	59,626,775	8,436,100	765,046,500	636,340,226
<i>Leased</i>							
Vehicles	1,889,000	2,560,000	4,449,000	889,800	-	984,250	3,464,750
2010	1,350,320,125	70,031,577	1,405,835,726	60,516,575	8,436,100	766,030,750	639,804,976

16/11/11

13 Property, plant and equipment

	Cost			Depreciation				Written down value as at 30 June 2010 Rupees	
	As at 01 July 2009 Rupees	Additions Rupees	Transferred from leased assets Rupees	As at 30 June 2010 Rupees	Rate %	For the year Rupees	Adjustments on disposal Rupees		As at 30 June 2010 Rupees
<i>Owned</i>									
Land freehold	1,609,826	-	-	1,609,826	-	-	-	-	1,609,826
Building on freehold land	192,253,799	-	-	192,253,799	5	6,604,991	-	66,758,966	125,494,833
Plant and machinery	938,948,085	94,385,667	-	1,033,333,752	10	41,547,799	-	574,057,224	459,276,528
Electric installation	82,060,839	186,000	-	82,246,839	10	3,610,918	-	49,679,573	32,567,266
Tools and equipment	6,746,240	-	-	6,746,240	10	149,599	-	5,399,846	1,346,394
Furniture and fixture	3,905,380	-	-	3,905,380	10	178,023	-	2,303,174	1,602,206
Office equipment	10,378,250	461,517	-	10,839,767	10	609,654	-	5,098,073	5,741,694
Vehicles	15,686,736	1,974,586	2,139,500	17,495,522	20	1,497,578	2,080,516	10,558,969	6,936,553
	1,251,589,155	97,007,770	2,139,500	1,348,431,125		54,198,562	2,080,516	713,855,825	634,575,300
<i>Leased</i>									
Vehicles	2,139,500	1,889,000	(2,139,500)	1,889,000	20	237,083	(1,711,600)	94,450	1,794,550
2010	1,253,728,655	98,896,770	-	1,350,320,125		54,435,645	2,080,516	713,950,275	636,369,850

10/10/10

	2011 Rupees	2010 Rupees
13.1 Depreciation has been allocated as follows:		
Cost of Sales	59,622,172	53,619,110
Administrative expenses	894,403	816,535
	<u>60,516,575</u>	<u>54,435,645</u>
14 Long term investments		
Al Nasr Textiles Limited - unquoted 33,119,000 (2010: 33,119,000) ordinary shares of Rs. 10 each Equity held 96.84% (2010: 96.84%)	 331,190,000	 331,190,000
	<u>331,190,000</u>	<u>331,190,000</u>
15 Stores, spares and loose tools		
Stores	23,504,008	19,664,753
Spares	15,658,134	12,071,154
Loose tools	176,937	137,184
	<u>39,339,079</u>	<u>31,873,091</u>
16 Stock in trade		
Raw material	363,983,964	204,398,980
Work in process	36,913,145	19,063,039
Finished goods	161,778,617	69,115,435
Stock in transit	44,721,247	29,914,052
	<u>607,396,973</u>	<u>322,491,506</u>

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17 Short term investments

2011
Rupees

Short term investments consist of the following:

Investment in NBP Fullerton Asset Management Limited	17.1	20,000,000
Investment in listed companies	17.2	49,805,465
		<u>69,805,465</u>

17.1 This represents investment in NBP Fullerton Asset Management Limited government securities liquid fund.

Shares	Carrying value	Fair Value
2011	2011	2011
Number	Rupees	Rupees

17.2 Investments held for trading

Name of investee company

Attock Refinery Limited	18,000	2,384,036	2,209,140
Al Ghazi Limited	2,000	426,000	460,800
Askari Bank Limited	55,000	833,935	598,400
Attock Petroleum Limited	25,000	8,635,736	9,356,750
Bank Al Habib Limited	12,000	321,500	353,640
Descon Oxychem Limited	40,000	335,893	243,600
D.G.Khan Cement Limited	24,000	645,990	551,760
Engro Corporation Limited	56,000	9,144,266	9,142,000
Fauji Fertilzer Bin Qasim Limited	60,000	2,127,752	2,529,000
Fauji Fertilzer Co Limited	13,000	1,502,099	1,954,550
Faysal Bank Limited	100,000	1,526,122	926,000
Habib Modarba Ist	100,000	689,698	815,000
ICI Pakistan Limited	6,000	855,245	911,100
Lotte Pakistan PTA Limited	30,000	342,590	414,900
Lucky Cement Limited	20,000	1,498,330	1,416,800
Millat Tractors Limited	1,450	681,247	872,480
MCB Limited	3,200	606,000	637,760
Nishat Mills Limited	34,000	2,159,906	1,711,560
National Bank Of Pakistan Limited	25,000	1,053,985	1,260,500
Packages Limited	36,109	4,656,153	3,971,990
Pakistan Telecommunication Limited	30,000	592,424	426,600
Pakistan Oilfields Limited	5,000	1,798,002	1,795,050
Pakistan petroleum Limited	10,000	2,136,447	2,070,700
Silk Bank Limited	60,000	167,050	151,800
The Hub Power Co Limited	40,000	1,490,000	1,500,000
Tri Pack Films Limited	7,300	915,602	1,250,125
Treet Corporation Limited	8,000	446,425	416,160
United Bank Limited	30,000	1,939,819	1,857,300
	<u>851,059</u>	<u>49,912,252</u>	<u>49,805,465</u>

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	Note	2011 Rupees	2010 Rupees
18 Trade debts- unsecured			
Considered good		228,975,778	131,686,980
Considered doubtful		-	5,806,553
		<u>228,975,778</u>	<u>137,493,533</u>
Provision for doubtful debts		-	(5,806,553)
		<u>228,975,778</u>	<u>131,686,980</u>

19 Advances, deposits, prepayments and other receivables

Advances to employees	19.1	2,742,920	4,952,316
Security deposits		6,099,528	1,402,028
Advances to suppliers - considered good		810,796	145,000
Advance income tax		87,380,671	47,005,064
Other advances		9,407,716	1,362,583
Margin on letter of credit/guarantee		9,154,500	771,500
Letters of credit		1,440,054	2,182,885
Due from associated undertaking	19.2	3,421,755	21,213,809
Other receivables		822,072	391,306
Sales tax receivable		19,821,630	16,983,956
		<u>141,101,642</u>	<u>96,410,447</u>

19.1 These are interest free unsecured advances to employees and are considered good.

19.2 This represents receivables from following parties on account of advances and business transactions:

	2011 Rupees	2010 Rupees
UnigoHar Homes (Private) Limited	324,591	2,773
Al Nasr Textile Limited	3,097,164	21,204,986
Mian Mir Fabrics (Private) Limited	-	5,150
Diablo (Private) Limited	-	900
	<u>3,421,755</u>	<u>21,213,809</u>

20 Cash and bank balances

In hand	136,802	137,183
Cash at bank		
- Current accounts	22,390,453	32,356,162
- Saving accounts	163,629	453,778
	<u>22,690,884</u>	<u>32,947,123</u>

10/11/11

	<i>Note</i>	2011 Rupees	2010 Rupees
21 Sales - net			
Cotton polyester yarn - local		2,507,409,318	1,546,113,600
Cotton and polyester yarn - export		173,462,822	184,382,882
Garments - export		21,391,480	-
Cotton yarn - local		1,515,190,849	832,243,342
Waste		154,068,586	101,565,447
		<u>4,371,523,055</u>	<u>2,664,305,271</u>
Less: Commission		(39,605,003)	(16,579,478)
		<u>4,331,918,052</u>	<u>2,647,725,793</u>
22 Cost of sales			
Opening stock finished goods		69,115,435	46,887,246
Add: Cost of goods manufactured	22.1	<u>3,705,051,590</u>	<u>2,167,681,358</u>
		3,774,167,025	2,214,568,604
Less: Closing stock finished goods		(161,778,617)	(69,115,435)
		<u>3,612,388,408</u>	<u>2,145,453,169</u>
22.1 Cost of goods manufactured			
Opening stock		204,398,980	241,694,321
Add: Purchases		<u>3,388,676,203</u>	<u>1,634,699,218</u>
		3,593,075,183	1,876,393,539
Less: Sold during the year		(70,999,445)	(21,273,984)
Closing stock		(363,983,964)	(204,398,980)
		<u>(434,983,409)</u>	<u>(225,672,964)</u>
Raw material consumed		<u>3,158,091,774</u>	<u>1,650,720,575</u>
Salaries, wages and other benefits		147,873,873	129,523,917
Workers' welfare		14,263,510	12,167,150
Power and fuel		200,343,790	164,388,469
Store and spare parts		42,386,475	40,046,406
Packing material consumed		52,681,628	45,889,779
Repair and maintenance		15,734,419	37,636,945
Vehicles running and maintenance		3,141,295	3,373,053
Insurance		6,860,836	6,067,104
Provision for gratuity		12,469,116	16,494,980
Depreciation	13.1	59,622,172	53,619,110
Other expenses		9,432,808	8,837,135
		<u>3,722,901,696</u>	<u>2,168,764,623</u>
Add: Opening work in process		19,063,039	17,979,774
		<u>3,741,964,735</u>	<u>2,186,744,397</u>
Less: Closing work in process		(36,913,145)	(19,063,039)
		<u>3,705,051,590</u>	<u>2,167,681,358</u>

KPHCL/11

	<i>Note</i>	2011 Rupees	2010 Rupees
23 Administrative expenses			
Salaries and other benefits		14,428,718	13,090,056
Directors' salaries and other benefits		1,881,426	1,871,292
Staff welfare		1,613,680	1,420,090
Traveling expenses		1,381,513	1,368,485
Telephone, postage and telegrams		1,256,845	1,321,956
Rent, rate and taxes		392,360	755,653
Power and fuel		1,164,019	916,317
Printing and stationery		215,582	243,293
Entertainment		436,972	495,710
Insurance		810,622	486,324
Repair and maintenance		1,252,934	987,838
Advertisement expenses		56,025	-
Legal and professional charges		777,000	1,195,000
Auditors' remuneration	<i>23.1</i>	282,463	162,464
Vehicle running and maintenance		2,671,911	2,238,212
Charity and donations	<i>23.2</i>	5,970,000	3,280,000
Subscription fees		406,234	179,115
Provision for gratuity		2,561,238	2,687,911
Shares Expenses		269,029	-
Provision for doubtful debts		-	5,806,553
Provision for long outstanding advances		-	2,006,878
Depreciation	<i>13.1</i>	894,403	816,535
Other expenses		265,016	326,826
		<u>38,987,990</u>	<u>41,656,508</u>

23.1 Auditors' remuneration

Audit fee	175,500	135,000
Out of pocket expenses	106,963	27,464
	<u>282,463</u>	<u>162,464</u>

23.2 These donations have been paid to the Ch.Nasur Ulla family trust, the Chief Minister's Fund for Flood and Rehabilitation, Pakpur Foundation, Lahore Businessmen Association For Rehabilitation of Disabled, Helpline-Lahore, Mr. Muhammad Sher and Mr. Muhammad Iqbal (flood victims). None of the directors or their spouses have any interest in the donee funds to which these donations were made.

	2011 Rupees	2010 Rupees
24 Distribution cost		
Freight and other export expenses	17,985,959	12,076,743
Local letter of credit expenses	34,116,771	14,932,054
Freight - local	13,300,625	19,192,121
Packing expenses	2,119,899	1,973,185
Loading expenses	714,144	611,850
Salaries and other benefits	182,080	846,187
	<u>68,419,478</u>	<u>49,632,140</u>

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	<i>Note</i>	2011 Rupees	2010 Rupees
25 Finance cost			
Interest and mark-up on:			
- long term loans - secured		29,962,189	34,624,794
- short term finance		134,068,262	104,523,609
- finance lease		308,418	46,928
Foreign exchange loss		-	86,647
Interest on workers' profit participation fund		1,128,000	101,208
Bank charges		1,744,976	1,037,257
		<u>167,211,845</u>	<u>140,420,443</u>
26 Other operating income			
Profit on PLS account		53,709	30,203
Sale of bailing material		399,994	454,734
Income on sale of scrap		64,820	62,125
Dividend income from investment		1,711,579	-
Rebate claim on export sale		2,258	5,782
Gain on sale of shares		231,445	-
Profit on sale of store items		52,267	-
Profit/(loss) on sale of fixed asset		(1,139,092)	190,217
Income on advance paid to Al-Nasr Textiles Limited		-	6,709,504
		<u>1,376,980</u>	<u>7,452,565</u>
27 Other operating expenses			
WPPF Provision	10.2	22,314,366	13,900,805
WWF Provision		8,479,459	1,736,794
		<u>30,793,825</u>	<u>15,637,599</u>
28 Taxation			
Current		48,045,449	43,810,025
Prior		(2,566,824)	(909,107)
Deferred		12,000,000	21,753,263
		<u>57,478,625</u>	<u>64,654,181</u>

KHCL/17

29 Remuneration of Chief Executive and executives

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

	Chief Executive		Executives		Total	
	2011	2010	2011	2010	2011	2010
Managerial remuneration	1,680,000	1,680,000	3,472,000	4,088,000	5,152,000	5,768,000
Retirement benefits	-	-	260,006	301,009	260,006	301,009
Utilities	120,000	120,000	248,000	292,000	368,000	412,000
Medical expenses	81,426	71,292	277,984	337,519	359,410	408,811
	<u>1,881,426</u>	<u>1,871,292</u>	<u>4,257,990</u>	<u>5,018,528</u>	<u>6,139,416</u>	<u>6,889,820</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>5</u>

The Chief Executive and executives are provided with free use of Company maintained cars and mobile phones.

30 Transactions with related parties

Related parties comprise associated undertakings, subsidiaries, other related companies, directors of the Company and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due to/from related parties have been disclosed in the respective receivables and payables. Other significant transactions with related parties are as follows:

	2011 Rupees	2010 Rupees
Relationship with the Company		
<i>Associated company</i>		
UnigoHar Homes (Private) Limited		
Rent	300,000	300,000
<i>Subsidiary</i>		
Al Nasr Textiles Limited		
Purchase of one set deducting machine	-	115,000
Sale of stores	6,353,536	956,920
Sale of machinery	2,834,503	-
Purchase of store	634,177	520,381
Sale of cotton	69,689,371	21,273,984
Markup accrued against short term advance	-	6,709,503
Purchase of yarn	16,250	-
Others	1,018,283	1,566,074

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

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31 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.

31.1 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. Out of the total financial assets of Rs. 343,829 million (2010: Rs. 193,818 million), the financial assets which are subject to credit risk amounted to Rs. 343,829 million (2010: Rs. 193,818 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. The management has set a maximum credit period of 15 days in respect of yarn to reduce the credit risk.

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:

	2011 Rupees	2010 Rupees
Trade debts	228,975,778	131,686,980
Short Term Investments	69,805,465	-
Advances, deposits and other receivables	22,493,991	29,322,042
Bank balances	22,554,082	32,809,940
	<u>343,829,316</u>	<u>193,818,962</u>

Investments comprise of Ordinary shares of non listed public company Al-Nasr Textiles Limited. The fair value or credit rating of the Company is not available as at 30 June 2011 due to non listing.

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

	2011 Rupees	2010 Rupees
Trade Debtors	228,975,778	131,686,980

All the trade debtors at the balance sheet date represent 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:

	2011 Rupees	2010 Rupees
Yarn receivables Export	46,629,378	47,707,741
Yarn receivables Local	175,314,812	79,448,186
Waste receivables	7,031,588	4,531,053
	<u>228,975,778</u>	<u>131,686,980</u>

The aging of trade receivable at the reporting date is:

	2011	2010
Past due 1-30 days	179,650,322	75,210,218
Past due 30-180 days	48,839,030	56,159,997
Past due 180 days	486,426	316,765
	<u>228,975,778</u>	<u>131,686,980</u>

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.

31.2 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.

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

	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						
Loan	180,700,138	180,700,502	31,671,500	28,227,056	51,454,112	69,347,834
Trade and other payables	125,653,043	125,653,043	125,653,043	-	-	-
Interest and mark-up accrued	39,801,419	22,680,474	22,680,474	-	-	-
Short term borrowings	590,660,231	678,255,143	-	678,255,143	-	-
	<u>936,814,831</u>	<u>1,007,289,163</u>				
-----Rupees-----						
	2010					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
-----Rupees-----						
Financial Liabilities						
Loan	218,366,530	218,366,530	36,775,305	43,218,988	70,449,183	67,923,054
Trade and other payables	95,363,984	95,363,984	95,363,984	-	-	-
Interest and mark-up accrued	24,318,980	34,768,009	34,768,009	-	-	-
Short term borrowings	430,099,306	493,883,033	-	493,883,033	-	-
	<u>768,148,800</u>	<u>842,381,556</u>				

31.3 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.

31.3.1 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:

	2011 Rupees	2010 Rupees
Foreign debtors	46,629,378	47,707,741
Export finances	(20,970,000)	(41,677,000)
Gross balance sheet exposure	25,659,378	6,030,741
Outstanding letters of credit	(1,440,054)	(32,096,937)
Net exposure	<u>24,219,324</u>	<u>(26,066,196)</u>

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
USD to PKR	84.95	83.95	85.00	85.61

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.

	2011 Rupees	2010 Rupees
Effect on profit or loss		
US Dollars	(25,903)	(27,680)

KPMG 17

The strengthening 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.

31.3.2 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	
	2011	2010	2011	2010
Financial assets	%	%	Rupees	Rupees
Financial liabilities				
<i>Variable rate instruments</i>				
Loan	7-16.61	7-16.02	180,700,138	218,366,530
Short term running finance	13.33-17.72	13.23-16.81	590,660,231	430,099,306
Export finances	13.71-13.84	13.71-15.71	20,970,000	41,677,000

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 (decreased) / increased 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 2010.

	Profit and loss 100 bp	
	Increase	Decrease
	Rupees	
As at 30 June 2011		
Cash flow sensitivity-Variable rate financial liabilities	(7,923,304)	7,923,304
As at 30 June 2010		
Cash flow sensitivity-Variable rate financial liabilities	8,792,166	(8,792,166)

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

31.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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31.5 Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by the total capital employed. The Board of Directors also monitors the level of dividends to individual ordinary shareholders.

32 Date of authorization for issue

These financial statements were authorized for issue on 08 OCT 2011 by the Board of Directors of the Company.

33 General

Figures have been rounded off to the nearest rupee.

CAH 57a

Lahore


Chief Executive


Director