Pak Kuwait Textiles Limited

Financial statements for the year ended
30 June 2012

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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 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.

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

Lahore

Date: 09 October 2012

Pak Kuwait Textiles Limited

Balance Sheet

As at 30 June 2012

SHARE CAPITAL AND LIABILITIES	Note	2012 Rupees	2011 Rupees
Share capital and reserve			
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	375,000,000	375,000,000
Accumulated profit		768,455,193	594,469,854
		1,143,455,193	969,469,854
Non-current liabilities			
Long term loans - secured	5	106,336,830	120,801,942
Liabilities against assets subject to finance lease	6	3,286,507	3,202,165
Deferred liabilities	7	115,366,548	112,343,519
		224,989,885	236,347,626
Current liabilities			
Current portion of long term liabilities	8	56,073,956	60,531,563
Short term borrowing - secured	9	200,208,988	590,660,231
Trade and other payables	10	178,688,636	136,719,051
Mark up accrued	11	18,452,884	40,203,034
Provision for taxation		45,398,606	48,045,449
		498,823,070	876,159,328
Contingencies and commitments	12		
		1,867,268,148	2,081,976,808

ASSETS	Note	2012 Rupees	2011 Rupees
Non-current assets			
Property, plant and equipment	13	674,310,864	639,804,976
Capital work in progress		6,561,837	1,672,011
Long term investments	14	331,190,000	331,190,000
		1,012,062,701	972,666,987
Current assets			
Stores, spares and loose tools	15	34,982,992	39,339,079
Stock in trade	16	356,698,965	607,396,973
Short term investment	17	26,428,431	69,805,465
Trade debts	18	215,546,612	228,975,778
Advances, deposits, prepayments and other receivables	19	140,409,162	141,101,642
Cash and bank balances	20	81,139,285	22,690,884
		855,205,447	1,109,309,821
		1,867,268,148	2,081,976,808

The attached notes 1 to 35 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 2012

	Note	2012 Rupees	2011 Rupees
Sales - net	21	3,802,325,167	4,331,918,052
Cost of sales	22	(3,292,586,804)	(3,612,388,408)
Gross profit		509,738,363	719,529,644
Operating expenses			
Administrative expenses	23	(49,576,623)	(38,987,990)
Distribution cost	24	(79,328,103)	(68,419,478)
		(128,904,726)	(107,407,468)
Operating profit		380,833,637	612,122,176
Finance cost	25	(117,053,503)	(167,211,845)
		263,780,134	444,910,331
Other operating income	26	3,201,992	2,622,858
Other operating expenses	27	(16,534,737)	(32,039,703)
Profit before taxation		250,447,389	415,493,486
Provision for taxation	28	(38,962,050)	(57,478,625)
Profit after taxation		211,485,339	358,014,861
Earnings per share - Basic and diluted	29	5.64	9.55

The attached notes 1 to 35 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 2012

	2012 Rupees	2011 Rupees
Profit after taxation	**211,485,339**	358,014,861
Other comprehensive income	-	-
Total comprehensive income for the year	**211,485,339**	358,014,861

The attached notes 1 to 35 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 2012

	Note	2012 Rupees	2011 Rupees
Cash flows from operating activities			
Profit before taxation		250,447,389	415,493,486
Adjustments for non cash items and other charges:			
Depreciation		63,509,574	60,516,575
Finance cost		115,024,481	166,083,845
Loss on disposal of property, plant and equipment		583,088	4,964,877
Provision for bad debts		728,173	-
Interest on worker's profit participation fund		2,029,022	1,128,000
Worker's profit participation fund		13,280,065	22,314,366
Worker's welfare fund		1,873,849	8,479,459
Staff retirement benefits		12,628,682	15,030,354
		209,656,934	278,517,476
Profit before working capital changes		460,104,323	694,010,962
Effect on cash flow due to working capital changes			
(Increase)/decrease in current assets:			
Stores and spares		4,356,087	(7,465,988)
Stock in trade		250,698,008	(284,905,467)
Trade debts		12,700,993	(97,288,798)
Advances, deposits, prepayments and other receivables		(7,968,413)	(4,315,588)
Increase/ (decrease) in current liabilities			
Trade and other payables		57,609,496	17,002,682
		317,396,171	(376,973,159)
Cash generated from operations		777,500,494	317,037,803
Finance cost paid		(136,774,631)	(150,598,397)
Staff retirement benefits paid		(9,605,653)	(44,082,187)
Worker's profit participation fund paid		(24,343,388)	(1,736,794)
Worker's welfare fund paid		(8,479,459)	(15,028,805)
Dividend paid		(37,500,000)	(18,750,000)
Taxes paid		(32,948,000)	(81,618,809)
		(249,651,131)	(311,814,992)
Net cash generated from operating activities		527,849,363	5,222,811
Cash flows from investing activities			
Capital expenditure incurred		(104,991,827)	(71,703,588)
Short term Investments		43,377,034	(69,805,465)
Sale proceeds from sale of property, plant & equipment		1,503,450	1,115,000
Net cash used in investing activities		(60,111,343)	(140,394,053)
Cash flows from financing activities			
Repayment of long term loans		(390,451,243)	(37,298,005)
Net movement in short term borrowings - secured		(22,885,559)	160,561,195
Payment of finance lease liabilities		4,047,182	1,651,813
Net cash (used in) / generated from financing activities		(409,289,620)	124,915,003
Net increase in cash and cash equivalents		58,448,401	(10,256,239)
Cash and cash equivalents at the beginning of the year		22,690,884	32,947,123
Cash and cash equivalents at the end of the year	20	81,139,285	22,690,884

The attached notes 1 to 35 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 2012

	Share capital	Accumulated profit	Total
	-----------	Rupees -----------	
Balance as at 30 June 2010	375,000,000	255,204,993	630,204,993
Cash dividend @ Rs. 0.5 per share for the year ended 30 June 2010	-	(18,750,000)	(18,750,000)
Total comprehensive income for the year	-	358,014,861	358,014,861
Balance as at 30 June 2011	375,000,000	594,469,854	969,469,854
1st interim dividend@0.5 per share for the year ended 30 June 2012		(18,750,000)	(18,750,000)
2nd interim dividend@0.5 per share for the year ended 30 June 2012	-	(18,750,000)	(18,750,000)
Total comprehensive income for the year	-	211,485,339	211,485,339
Balance as at 30 June 2012	375,000,000	768,455,193	1,143,455,193

The attached notes 1 to 35 form an integral part of these financial statements.

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Chief Executive

Director

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, 100% carded and combed yarn. Apart from the principal activity manufacturing and export of finished garments also. 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 and useful life of depreciable assets (note 3.7 & 13)
- Provision for taxation (note 3.3 & 28)
- Staff 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 2012:

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. 4.478 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

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 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 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 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 looses 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

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.

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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.

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.

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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.

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.

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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	2012 Rupees	2011 Rupees
4 Issued, subscribed and paid-up capital			
2,500,000 (2011: 2,500,000) ordinary shares of Rs. 10 each fully paid in cash		25,000,000	25,000,000
35,000,000 (2011: 35,000,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares		350,000,000	350,000,000
		375,000,000	375,000,000
5 Long term loans - secured			
Banking companies	*5.1*	106,336,830	120,801,942
		106,336,830	120,801,942

5.1 Banking companies

	Limit Rupees in million	Note	2012 Rupees	2011 Rupees
National Bank of Pakistan				
Demand Finance-I	116.22	*5.1.1*	72,637,136	101,692,136
Demand Finance-II	30	*5.1.2*	5,000,000	15,000,000
Demand Finance-III	40	*5.1.3*	30,000,000	40,000,000
			107,637,136	156,692,136
MCB Bank Limited	31	*5.1.4*	-	3,444,448
Bank Al-Habib				
Term Finance	40.80	*5.1.5*	36,989,000	-
Term Finance (Car Finance)	3.80	*5.1.6*	744,000	1,008,000
Term Finance	32	*5.1.7*	12,444,443	19,555,554
			50,177,443	20,563,554
Total			157,814,579	180,700,138
Less: Current maturity		*8*	(51,477,749)	(59,898,196)
			106,336,830	120,801,942

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5.1.1 The facility is secured by way of first pari passu charge on fixed assets of the company 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 10 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 01 semi annual installments ending on 31 December 2012.

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 12 quarterly installments ending on 31 May 2015.

5.1.4 This facility has been repaid during the year.

5.1.5 This loan is taken for the purchase of machinery. The loan is secured by the way of joint parri passu charge of Rs. 164.2 million.This laon is repayable in 16 equal quarterly installments ending on 03 May 2017. The facility carries mark up at the rate of 6 months KIBOR plus 2%.

5.1.6 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 30 monthly installments ending on 31 December 2014.

5.1.7 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 07 quarterly installments ending on 16 January 2014 and carries mark up at the rate of 6 months KIBOR plus 1.5%.

	Note	2012 Rupees	2011 Rupees
6 Liabilities against assets subject to finance lease			
Present value of minimum lease payments	*6.1*	**7,882,714**	3,835,532
Less: Current portion shown under current liabilies	*8*	**(4,596,207)**	(633,367)
		3,286,507	3,202,165

The minimum lease payments have been discounted at an implicit interest rate of 6 month KIBOR plus 7% 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	**5,181,452**	**3,654,214**	972,501	3,264,646
Future finance cost	**585,245**	**367,707**	339,134	62,481
Present value of lease liability	**4,596,207**	**3,286,507**	633,367	3,202,165

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	Note	2012 Rupees	2011 Rupees
7 Deferred liabilities			
Staff retirement benefits	7.1	**35,008,775**	31,985,746
Deferred taxation		**80,357,773**	80,357,773
		115,366,548	112,343,519

7.1 Staff retirement benefits

	2012	2011
Balance as at 01 July	**31,985,746**	61,037,579
Add: Provision for the year	**12,628,682**	15,030,354
	44,614,428	76,067,933
Less: Payments made during the year	**(9,605,653)**	(44,082,187)
Balance as at 30 June	**35,008,775**	31,985,746

7.1.1 Changes in present value of defined benefit obligation

	2012	2011
Present value of defined benefit obligation as at 01 July	**22,916,722**	61,632,373
Current service cost	**10,388,534**	7,634,469
Interest cost for the period	**3,208,341**	7,395,885
Benefits paid during the year	**(9,605,653)**	(44,082,187)
Actuarial loss on present value of defined benefit obligation	**3,623,203**	(9,663,818)
Present value of defined benefit obligation as at 30 June	**30,531,147**	22,916,722

7.1.2 Expense recognised in profit and loss account are as follows:

Charge for the year has been allocated as follows:

	2012	2011
Current service cost	**10,388,534**	7,634,469
Interest cost for the year	**3,208,341**	7,395,885
Recognized actuarial (gains)/losses	**(968,193)**	-
	12,628,682	15,030,354

7.1.3 Amounts recognized in the balance sheet are as follows:

	2012	2011
Present value of defined benefit obligation	**30,531,147**	22,916,722
Unrecognized transitional liability	-	-
Unrecognized actuarial gain	**4,477,628**	9,069,024
Liability as at 30 June	**35,008,775**	31,985,746

7.1.4 The Company expects to pay Rs. 15.814 million in contributions to the defined benefit plan in 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*	**7**	7

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	Note	2012 Rupees	2011 Rupees
8 Current portion of long term liabilities			
Long term loans - secured	*5.1*	**51,477,749**	59,898,196
Liabilities against assets subject to finance lease	*6*	**4,596,207**	633,367
		56,073,956	60,531,563

9 Short term financing - secured

Finance limits available from banks are of Rs. 2,360 million (2011: Rs. 2,475 million). These are secured by way of joint pari passu charge on current assets of the Company amounting to Rs. 1,202 million (2011: 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 13.37% to 15.79% per annum during the year (2011: 13.30% to 15.77 % per annum).

	Note	2012 Rupees	2011 Rupees
10 Trade and other payables			
Trade creditors		**31,393,618**	28,141,310
Accrued expenses		**63,439,020**	40,667,964
Refundable security	*10.1*	**208,688**	474,688
Advances from customers		**47,575,037**	10,628,927
Withholding tax payable		**163,763**	437,081
Workers' profit participation fund	*10.2*	**13,280,065**	22,314,366
Workers' welfare fund		**1,873,849**	8,479,459
Payable to commission agent		**17,355,144**	21,625,041
Payable to clearing agent		**168,169**	103,975
Other payables		**3,231,283**	3,846,240
		178,688,636	136,719,051

10.1 These interest free security deposits are held by the company against packing material contractor and Loading/unloading contractor. These are repayable on demand subject to clearance of dues.

	Note	2012 Rupees	2011 Rupees
10.2 Workers' profit participation fund			
Balance as at 01 July		**22,314,366**	13,900,805
Provision for the year	*27*	**13,280,065**	22,314,366
Interest for the year	*25*	**2,029,022**	1,128,000
		37,623,453	37,343,171
Less: Payments made during the year		**(24,343,388)**	(15,028,805)
Balance as at 30 June		**13,280,065**	22,314,366
11 Mark up accrued			
Long term loan - secured		**6,543,628**	8,573,241
Short term borrowings - secured		**11,909,256**	31,629,793
		18,452,884	40,203,034

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 gurantees issued by banks outstanding as at balance sheet date amounted to Rs. 49.937 million (2011: Rs. 59.444 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. 2.152 million (2011: Rs. 23.39 million) and Rs. 127.167 million (2011: 82.56 million) and Rs. 4.539 million (2011: Rs. 1.24 million) respectively.

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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 disposal	As at 30 June 2012	Net book value as at 30 June 2012
	Rupees				%	Rupees				
Owned										
Land freehold	1,609,826		-	1,609,826	-	-	-	-	-	1,609,826
Building on freehold land	194,431,097	3,147,043	-	197,578,140	5	73,133,500	6,182,894	-	79,316,394	118,261,746
Plant and machinery	1,077,391,163	84,779,323	(6,755,754)	1,155,414,732	10	614,917,406	49,615,299	5,137,908	659,394,797	496,019,935
Electric installation	87,469,768	1,784,738	-	89,254,506	10	52,327,905	3,550,917	-	55,878,822	33,375,684
Tools and equipment	6,746,240	-	-	6,746,240	10	5,534,487	121,176	-	5,655,663	1,090,577
Furniture and fixture	3,918,380	48,400	-	3,966,780	10	2,463,720	146,249	-	2,609,969	1,356,811
Office equipment	11,665,287	2,060,532	-	13,725,819	10	5,709,949	758,016	-	6,467,965	7,257,854
Vehicles	18,154,965	3,139,665	(1,905,400)	19,389,230	20	10,959,533	1,831,203	1,436,708	11,354,028	8,035,202
	1,401,386,726	94,959,701	(8,661,154)	1,487,685,273		765,046,500	62,205,754	6,574,616	820,677,638	667,007,634
Leased										
Vehicles	4,449,000	5,142,300	-	9,591,300	20	984,250	1,303,820	-	2,288,070	7,303,230
2012	1,405,835,726	100,102,001	(8,661,154)	1,497,276,573		766,030,750	63,509,574	6,574,616	822,965,708	674,310,864

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Property, plant and equipment

	Cost					Depreciation				
	As at 01 July 2010	Additions	(Disposals)	As at 30 June 2011	Rate	As at 01 July 2010	For the year	Adjustments on disposal	As at 30 June 2011	Net book value as at 30 June 2011
	Rupees				%	Rupees				
Owned										
Land freehold	1,609,826	-	-	1,609,826	-	-	-	-	-	1,609,826
Building on freehold land	192,253,799	2,177,298	-	194,431,097	5	66,758,966	6,374,534	-	73,133,500	121,297,597
Plant and machinery	1,033,333,752	55,556,839	(11,499,428)	1,077,391,163	10	574,057,224	47,129,137	6,268,955	614,917,406	462,473,757
Electric installation	82,246,839	6,337,294	(1,114,365)	87,469,768	10	49,679,573	3,711,416	1,063,084	52,327,905	35,141,863
Tools and equipment	6,746,240	-	-	6,746,240	10	5,399,846	134,641	-	5,534,487	1,211,753
Furniture and fixture	3,905,380	13,000	-	3,918,380	10	2,303,174	160,546	-	2,463,720	1,454,660
Office equipment	10,839,767	825,520	-	11,665,287	10	5,098,073	611,876	-	5,709,949	5,955,338
Vehicles	17,495,522	2,561,626	(1,902,183)	18,154,965	20	10,558,969	1,504,625	1,104,061	10,959,533	7,195,432
	1,348,431,125	67,471,577	(14,515,976)	1,401,386,726		713,855,825	59,626,775	8,436,100	765,046,500	636,340,226
Leased										
Vehicles	1,889,000	2,560,000	-	4,449,000	20	94,450	889,800	-	984,250	3,464,750
2011	1,350,320,125	70,031,577	(14,515,976)	1,405,835,726		713,950,275	60,516,575	8,436,100	766,030,750	639,804,976

13.1 Depreciation has been allocated as follows:

	2012	2011
	Rupees	Rupees
Cost of sales	**62,576,488**	59,622,172
Administrative expenses	**933,086**	894,403
	63,509,574	60,516,575

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	Note	2012 Rupees	2011 Rupees

14 Long term investments

Al Nasr Textiles Limited - unquoted			
33,119,000 (2011: 33,119,000) ordinary shares of Rs. 10 each		**331,190,000**	331,190,000
Equity held 96.84% (2011: 96.84%)			
		331,190,000	331,190,000

15 Stores, spares and loose tools

Stores		**21,137,858**	23,504,008
Spares		**13,640,253**	15,658,134
Loose tools		**204,881**	176,937
		34,982,992	39,339,079

16 Stock in trade

Raw material		**302,908,590**	363,983,964
Work in process		**31,659,112**	36,913,145
Finished goods		**22,131,263**	161,778,617
Stock in transit		**-**	44,721,247
		356,698,965	607,396,973

17 Short term investments

Short term investments consist of the following:

	Note	2012 Rupees	2011 Rupees
Investment in NBP Fullerton Asset Management Limited	*17.1*	**-**	20,000,000
Investment in listed companies	*17.2*	**24,697,720**	49,805,465
Investment in FBL Saving Growth Fund		**1,730,711**	-
		26,428,431	69,805,465

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

17.2 Investments at fair value through profit and loss

	Shares		Carrying value		Fair Value	
	2012 Number	2011 Number	**2012 Rupees**	2011 Rupees	**2012 Rupees**	2011 Rupees
Name of investee company						
Adamjee Insurance Company Limited	**10,000**	-	**570,098**	-	**582,500**	-
Al Ghazi Limited	**4,000**	2,000	**916,800**	426,000	**821,360**	460,800
Askari Bank Limited	**-**	55,000	**-**	833,935	**-**	598,400
Attock Petroleum Limited	**-**	25,000	**-**	8,635,736	**-**	9,356,750
Attock Refinery Limited	**-**	18,000	**-**	2,384,036	**-**	2,209,140
Bank Al Habib Limited	**-**	12,000	**-**	321,500	**-**	353,640
D.G.Khan Cement Company Limited	**24,000**	24,000	**551,760**	645,990	**945,120**	551,760
Descon Oxychem Limited	**-**	40,000	**-**	335,893	**-**	243,600
Engro Corporation Limited	**72,800**	56,000	**9,142,000**	9,144,266	**7,413,952**	9,142,000
Engro Foods Limited	**16,000**	-	**655,044**	-	**1,031,200**	-
Fatima Fertilzer Company Limited	**10,000**	-	**254,685**	-	**246,700**	-
Fauji Fertilizer Bin Qasim Limited	**-**	60,000	**-**	2,127,752	**-**	2,529,000
Fauji Fertilizer Company Limited	**-**	13,000	**-**	1,502,099	**-**	1,954,550
Faysal Bank Limited	**112,500**	100,000	**926,000**	1,526,122	**1,230,750**	926,000
Habib Mudarbah	**-**	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
MCB Bank Limited	**7,170**	3,200	**1,263,235**	606,000	**1,191,941**	637,760
Millat Tractors Limited	**1,450**	1,450	**872,480**	681,247	**700,133**	872,480
National Bank of Pakistan Limited	**5,000**	25,000	**126,050**	1,053,985	**217,700**	1,260,500
Nishat Mills Limited	**39,000**	34,000	**1,965,560**	2,159,906	**1,855,620**	1,711,560
Nishat Power Limited	**10,000**	-	**155,400**	-	**147,000**	-
Packages Limited	**46,104**	36,109	**4,832,363**	4,656,153	**4,596,568**	3,971,990
Pakistan Oil Fields Limited	**-**	5,000	**-**	1,798,002	**-**	1,795,050
Pakistan Petroleum Limited	**4,400**	10,000	**828,280**	2,136,447	**828,476**	2,070,700
Pakistan Telecommunication Limited	**30,000**	30,000	**426,600**	592,424	**410,700**	426,600
Silk Bank Limited	**60,000**	60,000	**151,800**	167,050	**126,600**	151,800
The Hub Power Company Limited	**-**	40,000	**-**	1,490,000	**-**	1,500,000
Treet Corporation Limited	**-**	8,000	**-**	446,425	**-**	416,160
Tri Pack Films Limited	**-**	7,300	**-**	915,602	**-**	1,250,125
United Bank Limited	**30,000**	30,000	**1,857,300**	1,939,819	**2,351,400**	1,857,300
	482,424	851,059	**25,495,455**	49,912,252	**24,697,720**	49,805,465

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	Note	2012 Rupees	2011 Rupees
18 Trade debts			
Considered good			
Local - unsecured		**98,663,956**	182,346,400
Export - secured		**116,882,656**	46,629,378
		215,546,612	228,975,778
Considered doubtful		**728,173**	-
		216,274,785	228,975,778
Provision for doubtful debts	*18.1*	**(728,173)**	-
		215,546,612	228,975,778

18.1 Provision for doubtful debts

	2012 Rupees	2011 Rupees
Balance as at 01 July	-	-
Add: provision for the year	**728,173**	-
Less: written off during the year	-	-
Balance as at 30 June	**728,173**	-

19 Advances, deposits, prepayments and other receivables

	Note	2012 Rupees	2011 Rupees
Advances to employees		**3,079,310**	2,742,920
Advances to suppliers - considered good		**2,574,332**	810,796
Security deposits		**8,908,358**	6,099,528
Advance income tax		**78,719,778**	87,380,671
Margin on letter of credit/guarantee		**12,912,490**	9,154,500
Advance against letters of credit		**8,184,023**	1,440,054
Due from associated undertaking	*19.1*	-	3,421,755
Sales tax receivable		**16,841,715**	19,821,630
Others		**9,189,156**	10,229,788
		140,409,162	141,101,642

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

	Note	2012 Rupees	2011 Rupees
Unigohar Homes (Private) Limited		-	324,591
Al Nasr Textile Limited		-	3,097,164
		-	3,421,755

20 Cash and bank balances

	Note	2012 Rupees	2011 Rupees
Cash in hand		**110,834**	136,802
Cash at bank			
- Current accounts		**80,850,229**	22,390,453
- Saving account	*20.1*	**178,222**	163,629
		81,139,285	22,690,884

20.1 The balance of saving account has a markup at the rate of 6% (2011: 5%) per annum.

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	Note	2012 Rupees	2011 Rupees
21 Sales - net			
Local			
Cotton polyester yarn		**940,274,484**	689,026,765
Cotton yarn		**486,512,214**	416,226,132
		1,426,786,698	1,105,252,897
Export			
Cotton and polyester yarn	21.1	**2,250,142,634**	3,090,810,092
Garments		**59,442,629**	21,391,480
		2,309,585,263	3,112,201,572
Waste sales		**97,084,885**	154,074,189
		3,833,456,846	4,371,528,658
Less: Sales tax		**(656,373)**	(5,603)
Commission		**(30,475,306)**	(39,605,003)
		3,802,325,167	4,331,918,052

21.1 These include indirect exports, taxable under Section 154 (3) of the Income Tax Ordinance, 2001, amounting to Rs. 1,735.525 million (2011 : Rs. 2,917.347 million).

	Note	2012 Rupees	2011 Rupees
22 Cost of sales			
Opening stock finished goods		**161,778,617**	69,115,435
Add: Cost of goods manufactured	22.1	**3,152,939,450**	3,705,051,590
		3,314,718,067	3,774,167,025
Less: Closing stock finished goods		**(22,131,263)**	(161,778,617)
		3,292,586,804	3,612,388,408
22.1 Cost of goods manufactured			
Opening stock		**363,983,964**	204,398,980
Purchases		**2,445,143,885**	3,388,676,203
		2,809,127,849	3,593,075,183
Sold during the year		**(15,600)**	(70,999,445)
Closing stock		**(302,908,590)**	(363,983,964)
		(302,924,190)	(434,983,409)
Raw material consumed		**2,506,203,659**	3,158,091,774
Salaries, wages and other benefits		**152,785,922**	147,873,873
Workers' welfare		**15,286,228**	14,263,510
Power and fuel		**261,945,154**	200,343,790
Store and spare consumed		**40,755,600**	42,386,475
Packing material consumed		**55,898,969**	52,681,628
Repair and maintenance		**23,540,175**	15,734,419
Vehicles running and maintenance		**4,187,901**	3,141,295
Insurance		**6,433,897**	6,860,836
Staff retirement benefits		**10,883,546**	12,469,116
Depreciation	13.1	**62,576,488**	59,622,172
Other expenses		**7,187,878**	9,432,808
		3,147,685,417	3,722,901,696
Add: Opening work in process		**36,913,145**	19,063,039
		3,184,598,562	3,741,964,735
Less: Closing work in process		**(31,659,112)**	(36,913,145)
		3,152,939,450	3,705,051,590

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		Note	2012 Rupees	2011 Rupees
23	**Administrative expenses**			
	Salaries and other benefits		**16,101,374**	14,128,718
	Directors' salaries and other benefits		**2,107,307**	2,181,426
	Staff welfare		**1,469,827**	1,613,680
	Traveling expenses		**1,582,823**	1,381,513
	Telephone, postage and telegrams		**1,264,452**	1,256,845
	Rent, rates and taxes		**8,188,650**	392,360
	Power and fuel		**1,448,906**	1,164,019
	Printing and stationery		**343,545**	215,582
	Entertainment		**484,360**	436,972
	Insurance		**554,381**	810,622
	Repair and maintenance		**1,772,406**	1,252,934
	Advertisement expenses		**73,040**	56,025
	Legal and professional charges		**2,423,800**	777,000
	Auditors' remuneration	*23.1*	**311,500**	282,463
	Vehicle running and maintenance		**2,988,550**	2,671,911
	Charity and donations	*23.2*	**4,035,000**	5,970,000
	Subscription fees		**524,745**	406,234
	Staff retirement benefits		**1,745,136**	2,561,238
	Shares expenses		**309,932**	269,029
	Provision for doubtful debts	*18.1*	**728,173**	-
	Depreciation	*13.1*	**933,086**	894,403
	Other expenses		**185,630**	265,016
			49,576,623	38,987,990

23.1 Auditors' remuneration

	2012	2011
Audit fee	**250,500**	175,500
Out of pocket expenses	**61,000**	106,963
	311,500	282,463

23.2 These donations have been paid to the Ch.Nasur Ulla Family Trust and APTMA flood relief fund. None of the directors or their spouses have any interest in the donee funds to which these donations were made.

		2012 Rupees	2011 Rupees
24	**Distribution cost**		
	Salaries and other benefits	-	182,080
	Freight and other expenses - export	**43,417,102**	17,985,959
	Freight and other expenses - local	**31,466,810**	47,417,396
	Loading and other expenses	**4,444,191**	2,834,043
		79,328,103	68,419,478

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		Note	2012 Rupees	2011 Rupees
25	**Finance cost**			
	Interest and mark-up on:			
	- long term loans - secured		**24,039,978**	29,962,189
	- short term borrowings - secured		**89,656,760**	134,068,262
	- finance lease		**471,507**	308,418
	Interest on workers' profit participation fund	*10.2*	**2,029,022**	1,128,000
	Bank charges		**856,236**	1,744,976
			117,053,503	167,211,845
26	**Other operating income**			
	Profit on saving account		**96,618**	53,709
	Bailing		**362,278**	399,994
	Income on sale of scrap		**71,930**	64,826
	Dividend income		**2,417,648**	1,711,579
	Rebate claim on export sale		-	2,258
	Gain on sale of shares		**239,495**	338,231
	Profit on sale of store items		**14,023**	52,267
			3,201,992	2,622,858
27	**Other operating expenses**			
	Workers' profit participation fund	*10.2*	**13,280,065**	22,314,366
	Workers' welfare fund		**1,873,849**	8,479,459
	Deficit on remeasurement of short term investments		**797,735**	106,786
	Loss on disposal of property, plant and equipment		**583,088**	1,139,092
			16,534,737	32,039,703
28	**Provision for taxation**			
	Current		**45,398,606**	48,045,449
	Prior period		**(6,436,556)**	(2,566,824)
			38,962,050	45,478,625
	Deferred tax		-	12,000,000
			38,962,050	57,478,625

29 **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*	**211,485,339**	358,014,861
Weighted average number of ordinary shares	*Number of shares*	**37,500,000**	37,500,000
Earnings per share		**5.64**	9.55

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30 **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	
	2012	2011	2012	2011	2012	2011
	Rupees					
Managerial remuneration	**1,680,000**	1,680,000	**6,024,508**	3,472,000	**7,704,508**	5,152,000
Retirement benefits	-	-	**282,333**	260,006	**282,333**	260,006
Leave encashment	**150,000**	300,000	-	-	**150,000**	300,000
Utilities	**120,000**	120,000	**430,322**	248,000	**550,322**	368,000
Medical expenses	**157,307**	81,426	**867,100**	277,984	**1,024,407**	359,410
	2,107,307	2,181,426	**7,604,263**	4,257,990	**9,711,570**	6,439,416
Number of persons	1	1	4	3	5	4

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

31 **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:

	2012 Rupees	2011 Rupees
Relationship with the Company		
Associated company		
Unigohar Homes (Private) Limited		
Rent	**300,000**	300,000
Subsidiary		
Al Nasr Textiles Limited		
Sale of stores items	**3,503,200**	6,353,536
Sale of machinery	-	2,834,503
Purchase of store items	**684,400**	634,177
Sale of cotton	-	69,689,371
Purchase of yarn	**8,836,950**	16,250
Others	-	1,018,283

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

32 **Plant capacity and actual production**

__Spinning__	*Unit*	2012	2011
Number of spindles installed	*No.*	**42,240**	42,240
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**15,472,686**	15,472,686
Actual production converted into 20s count	*Kgs*	**17,057,227**	16,867,841

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.

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33 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.

33.1 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. 350.191 million (2011: Rs. 303.948 million), the financial assets which are subject to credit risk amounted to Rs. 350.080 million (2011: Rs. 303.810 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	215,546,612	228,975,778
Advances, deposits and other receivables	53,505,361	52,280,917
Bank balances	81,028,451	22,554,082
	350,080,424	303,810,777

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 2012 due to non listing.

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

	2012 Rupees	2011 Rupees
Trade debtors	215,546,612	228,975,778

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

	2012 Rupees	2011 Rupees
Yarn receivables export	116,882,656	46,629,378
Yarn receivables local	94,602,464	175,314,812
Waste receivables	4,061,492	7,031,588
	215,546,612	228,975,778

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	2012 Rupees	2011 Rupees
The aging of trade receivable at the reporting date is:		
Past due 1-30 days	151,301,791	179,650,322
Past due 30-180 days	63,724,167	48,839,030
Past due 180 days	520,654	486,426
	215,546,612	228,975,778

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.

33.2 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.

	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						
Loan	157,814,579	157,814,579	28,226,701	23,227,056	53,923,572	52,437,250
Trade and other payables	99,931,941	99,931,941	99,931,941	-	-	-
Interest and mark-up accrued	18,452,884	38,750,121	10,818,846	8,870,617	11,777,684	7,282,974
Short term borrowings	200,208,988	229,899,981	-	229,899,981	-	-
	476,408,392	526,396,622	138,977,488	261,997,654	65,701,256	59,720,224

	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	180,700,138	31,671,500	28,227,056	51,454,112	69,347,470
Trade and other payables	64,820,181	64,820,181	64,820,181	-	-	-
Interest and mark-up accrued	40,203,034	45,976,417	12,553,491	10,126,983	14,093,244	9,202,699
Short term borrowings	590,660,231	678,255,143	-	678,255,143	-	-
	876,383,584	969,751,879	109,045,172	716,609,182	65,547,356	78,550,169

33.3 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

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33.3.1 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	116,882,648	46,629,378
Export finances	-	(20,970,000)
Gross balance sheet exposure	116,882,648	25,659,378
Outstanding letters of credit	(8,184,023)	(1,440,054)
Net exposure	108,698,625	24,219,324

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
Effect on profit or loss		
US Dollars	(169,028)	(25,903)

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.

33.3.2 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 Rupees	2011 Rupees
Financial liabilities				
Variable rate instruments				
Loan	13.51-16.79	7-16.61	157,814,579	180,700,138
Short term running finance	13.37-15.79	13.33-17.72	200,208,988	569,690,231
Export finances	13.43-15.00	13.71-13.84	-	20,970,000

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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 2011.

	Profit and loss 100 bp	
	Increase Rupees	**Decrease Rupees**
As at 30 June 2012		
Cash flow sensitivity-Variable rate financial liabilities	**3,580,236**	**(3,580,236)**
As at 30 June 2011		
Cash flow sensitivity-Variable rate financial liabilities	7,713,604	(7,713,604)

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

33.4 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 Rupees	2011 Rupees
Total debt	**165,697,293**	184,535,670
Total equity and debt	**1,309,152,486**	1,154,005,524
Debt-to-equity ratio	**13%**	16%

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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34 **Date of authorization for issue**

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

35 **General**

35.1 Figures have been rounded off to the nearest rupee.

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

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