

YOUSAF WEAVING MILLS LIMITED

BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees		Note	2012 Rupees	2011 Rupees
CAPITAL AND LIABILITIES				ASSETS			
Share Capital and Reserves				Non Current Assets			
Authorized share capital				Property, plant and equipment	16	760,769,391	869,641,820
40,000,000 (2011: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000	Intangible assets	17	1,358,724	1,698,405
				Biological assets	18	-	75,586,170
Issued, subscribed and paid up share capital	5	400,000,000	400,000,000	Long Term Loans	19	14,286,536	20,213,959
Accumulated loss		(293,820,020)	(159,369,826)	Long term deposits	20	7,088,583	8,761,683
		106,179,980	240,630,174			783,503,234	975,902,037
Non Current Liabilities				Current Assets			
Long term financing	6	373,315,378	404,190,778	Stores and spares	21	40,706,550	36,052,798
Liabilities against assets subject to finance lease	7	5,538,745	12,774,606	Stock in trade	22	337,688,967	265,096,063
Deferred liability	8	48,962,765	55,103,842	Trade debts	23	61,158,890	249,071,277
Long term advance	9	32,000,000	32,000,000	Loans and advances	24	111,324,998	148,539,589
		459,816,888	504,069,226	Trade deposits, short term prepayments and other receivables	25	28,955,560	72,697,734
Current Liabilities				Sales tax refundable		13,609,341	16,927,912
Trade and other payables	10	320,693,820	376,726,299	Assets held for disposal	26	163,674,173	-
Accrued mark up	11	50,284,766	30,772,498	Cash and bank balances	27	5,498,944	6,309,510
Short term borrowings	12	508,426,829	476,203,050			762,617,423	794,694,883
Current and overdue portion of non current liabilities	13	76,952,123	90,071,687				
Provision for taxation	14	23,766,251	52,123,986				
		980,123,789	1,025,897,520				
Contingencies and Commitments							
	15	-	-				
		1,546,120,657	1,770,596,920			1,546,120,657	1,770,596,920

The annexed notes 1-46 form an integral part to these financial statements.

DIRECTOR

DIRECTOR

Persuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two directors in the absence of the Chief Executive who for the time being is not in the country.

Lahore
October 09, 2012

YOUSAF WEAVING MILLS LIMITED

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

		2012	2011
	Note	Rupees	Rupees
Sales - net	28	2,376,625,141	3,829,250,590
Cost of sales	29	<u>(2,214,995,538)</u>	<u>(3,464,239,519)</u>
Gross Profit		161,629,603	365,011,071
Distribution cost	30	<u>(72,593,254)</u>	<u>(91,634,490)</u>
Administrative expenses	31	<u>(65,594,458)</u>	<u>(64,265,454)</u>
		<u>(138,187,712)</u>	<u>(155,899,944)</u>
Operating Profit		23,441,891	209,111,127
Other operating charges	32	(18,606,444)	(9,179,654)
Finance cost	33	(117,145,485)	(104,365,047)
Other operating income	34	<u>1,232,486</u>	<u>23,846,862</u>
(Loss) / Profit before Taxation		(111,077,552)	119,413,289
Taxation	35	(23,372,642)	(58,877,854)
(Loss) / Profit for the Year		<u>(134,450,194)</u>	<u>60,535,435</u>
Discontinued operations:			
Loss for the year from discontinued operations	26.1	17,598,246	-
Loss / Profit for the Year from Continuing Operations		<u>(116,851,948)</u>	<u>60,535,435</u>
(Loss) / Earning per Share - Basic	36		
- From continuing operations		(2.92)	1.51
- From discontinuing operations		(0.44)	-
- From (loss) / profit for the year		<u>(3.36)</u>	<u>1.51</u>

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YOUSAF WEAVING MILLS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	Rupees	Rupees
(Loss) / profit for the Year	(134,450,194)	60,535,435
<i>Other comprehensive income</i>	-	-
Total Comprehensive (Loss) / profit for the Year	<u>(134,450,194)</u>	<u>60,535,435</u>

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YOUSAF WEAVING MILLS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

		2012	2011
	Note	Rupees	Rupees
CASH GENERATED FROM OPERATIONS	37	187,839,308	165,509,174
Finance cost paid		(97,633,217)	(92,098,259)
Gratuity paid		(13,914,231)	(5,553,190)
Income tax paid		(22,691,121)	(35,094,989)
Dividend paid		(3,372)	-
Workers' (profit) participation fund paid		-	(1,316,753)
Net Cash generated from Operating Activities		53,597,367	31,445,982
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(29,545,260)	(42,883,087)
Intangible assets purchased		-	(170,520)
Biological assets purchased		(30,610,290)	(55,360,477)
Proceeds from disposal of property, plant and equipment		4,442,082	2,378,000
Proceeds from sale of biological assets		9,315,963	3,235,100
Proceeds from sale of stores and raw material		6,444,938	23,597,047
Long term loans to employees		5,019,729	(8,343,522)
Long term deposits		512,200	(3,122,328)
Profit received on bank deposits		4,127	-
Net Cash used in Investing Activities		(34,416,511)	(80,669,787)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - net		(43,952,885)	(112,481,957)
Liabilities against assets subject to finance lease		(8,262,316)	(9,405,357)
Short term borrowings		32,223,779	170,448,086
Long term advance		-	-
Net Cash generated (used in) / from Financing Activities		(19,991,422)	48,560,773
Net Decrease in Cash and Cash Equivalents		(810,567)	(663,032)
Cash and cash equivalents at the beginning of the year		6,309,510	6,972,542
Cash and Cash Equivalents at the End of the Year		5,498,944	6,309,510

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YOUSAF WEAVING MILLS LIMITED

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

Particulars	Share Capital	Accumulated Loss	Total
	Rupees	Rupees	Rupees
Balance as at June 30, 2010	400,000,000	(219,905,261)	180,094,739
Total comprehensive income for the year ended June 30, 2011	-	60,535,435	60,535,435
Balance as at June 30, 2011	400,000,000	(159,369,826)	240,630,174
Total comprehensive loss for the year ended June 30, 2012	-	(134,450,194)	(134,450,194)
Balance as at June 30, 2012	400,000,000	(293,820,020)	106,179,980

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YOUSAF WEAVING MILLS LIMITED

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

Note 1

The Company and its Operations

- 1.1** The Company was incorporated on January 17, 1988 as a public limited company in Pakistan under the Companies Ordinance, 1984 and is quoted on Karachi and Lahore stock exchanges. The Company is engaged in the business of textile weaving, spinning and sale of processed fabric, home textile and dairy products. The registered office of the Company is situated at Kashana-e-Yousaf, Khawaja Street, Chakwal.

The shareholders through an extra ordinary general meeting in the year 2012 has decided to sell its loss making unit of dairy located at district Chakwal. In line with IFRS 5 non current assets held for sale and discontinued operations, the operations relating to dairy unit have been classified as discontinued operations. The assets related to discontinued operations were transferred to assets held for disposal directly associated with assets classified as held for sale. Based on above the dairy operations of the Company are now classified under discontinued operations.

Note 2

Basis of Preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except to the extent of followings:

Employee retirement benefits (Gratuity)	Note 8	Present value
Biological assets	Note 18	Fair value less estimated point of sale costs

2.3 Functional and presentation currency

The financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made.

Significant management estimates in these financial statements relate to the useful life and residual values of property, plant and equipment, amortization of intangible assets, provisions for doubtful receivables, provisions for defined benefit plans, slow moving inventory, obsolescence of inventory, export claims and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

Note 3

Amendments to Existing Standards and Forthcoming New Standards and Interpretations

International Accounting Standard Board (IASB) has made amendments in certain standards and further introduced new standards during the year. These standards are applicable to the financial statements of the Company covering annual period, beginning on or after the dates as specified under.

- 3.1** *Standards, interpretations and amendments to published approved accounting standards that are not yet effective*

Note 3 - Amendments to Existing Standards ... Contd.

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations.

Standard or Interpretation		
Amendments enhancing disclosures about offsetting of financial assets and financial liabilities		1-Jan-2013
IAS 19	Employee Benefits - Amended Standard resulting from Post Employment Benefits and Termination Benefits projects	1-Jan-2013
IAS 32	Offsetting Financial Assets and Financial Liabilities - (Amendments)	1-Jan-2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1-Jan-2013

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not materially affect the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		IASB Effective date (Accounting period beginning on or after)
IFRS 9	Financial instruments	01-Jan-13
IFRS 10	Consolidated Financial Statements	01-Jan-13
IFRS 11	Joint Arrangements	01-Jan-13
IFRS 12	Disclosure of Interests in Other Entities	01-Jan-13
IFRS 13	Fair Value Measurement	01-Jan-13

3.2 Standards, interpretations and amendments to published approved accounting standards effective in 2011-2012

New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 7	Financial Instruments: Disclosures - Clarification of disclosures
IAS 1	Presentation of Financial Statements - Clarification of statement of changes in equity
IAS 34	Interim Financial Reporting - Significant events and transactions
IFRIC 13	Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments / improvements and interpretations did not have any significant effect on the financial statements.

Note 4

Significant Accounting Policies

4.1 Staff retirement benefits

Defined benefits plan

The Company operates an unapproved unfunded gratuity scheme for all its permanent employees, whose period of service is one year or more. Under this scheme, gratuity is paid to retiring employees on the basis of their last drawn gross salary for each completed year of services, calculated from the start of service to the date of retirement. Company's obligation under the scheme is determined through actuarial valuations carried out under the "Projected Unit Credit Method". Actuarial valuations are carried out annually and the latest valuation was conducted at the balance sheet date.

Net cumulative unrecognized actuarial gains / losses relating to previous reporting periods in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense over the estimated remaining working lives of the employees.

Note 4 - Significant Accounting Policies ... Contd.

4.2 Compensated absences

The Company provides for the compensated absences of its employees on unavailed balances of leaves in the period in which the leaves are earned. Provisions are made annually to cover the obligation for compensated absences and are charged to profit and loss account. Un-encashed leaves can be carried forward upto maximum period of three years.

4.3 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

4.4 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid or given in future for goods and services received or to be delivered or for any other amount, whether or not billed to the Company.

4.5 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that relates to items recognized directly in equity, in which case it is recognized in equity.

Current

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

Deferred

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

Carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits would be available to allow all or part of deferred tax assets to be utilized. Tax rates enacted at the balance sheet date are used to determine deferred income tax.

4.6 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses except free hold land which is stated at Cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing the assets into working condition.

Depreciation is charged to income on reducing balance method at the rates specified in Note 16. Full month's depreciation is charged on additions during the month, whereas no depreciation is charged on the assets disposed off during the month. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gains or losses on disposal of property, plant and equipment are included in the current year income.

Leased

The Company accounts for assets acquired under finance lease by recording assets and related liabilities. Principal values are determined on the basis of discounted values of total minimum lease payments to be paid by the Company. Finance costs are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on outstanding liabilities. Depreciation is charged on the same basis as owned assets at the rates specified in Note 16 to write off the cost of assets over their estimated useful life.

Capital work-in-progress is stated at cost less any identified impairment loss.

Note 4 - Significant Accounting Policies ... Contd.

4.7 Intangible asset

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably. Cost of intangible assets i.e. ERP and other software include purchase cost and directly attributable expenses incidental to bring the software for its intended use.

Cost that are directly associated with identifiable software and have probable economic benefits beyond one year, are recognized as an intangible assets. However, costs associated with the maintenance of software are recognized as an expense.

Intangibles are measured initially at cost and subsequently stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to income using reducing balance as specified in Note 17. The amortization period and the amortization method for an intangible asset are reviewed, at each financial year end, and adjusted if impact on amortization is significant.

4.8 Biological assets

Biological assets comprise of livestock. These are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognized in the profit and loss account. The fair value of livestock is estimated on the basis of market prices of livestock of similar age, breed and genetic merit. Point-of-sale costs include all costs that are necessary to sell the assets, excluding costs necessary to get the assets to the market.

4.9 Stores and spares

These are valued at lower of moving average cost and net realizable value whilst items considered obsolete are carried at nil value. Cost of items in transit comprises invoice value plus incidental charges paid thereon.

4.10 Stock in trade

These have been valued at the lower of cost and net realizable value. Cost has been determined as follows:

Raw and packing materials	- Moving average cost
Materials in transit	- Cost and incidental charges paid thereon
Work in process	- Estimated average manufacturing cost
Finished goods	- Average manufacturing cost

Manufacturing cost in relation to work in process and finished goods comprises cost of material, labour and appropriate manufacturing overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less necessary cost to make the sale.

4.11 Trade debts

All outstanding debts are reviewed at the balance sheet date. The Company recognizes and carries these debts at original invoice amount less an allowance for any uncollectible amounts. Bad debts, if any, are written off as incurred and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

4.12 Financial instruments

Financial instruments are recognized in the financial statements when the Company becomes a party to the contract and ceases to recognize when it loses control of contractual rights, in case of financial assets, and in case of financial liability when liability is extinguished. Any gain or loss on subsequent remeasurement / derecognizing is charged to income.

4.13 Off-setting of financial assets and financial liabilities

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

Note 4 - Significant Accounting Policies ... Contd.

4.14 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash at banks in current and saving accounts.

4.15 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value, the recoverable amount is determined to be the value in use. Impairment losses are recognized as expense in the profit and loss account.

4.16 Borrowing cost

Borrowing cost are charged to income as and when incurred except costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

4.17 Foreign currency transactions

Transactions denominated in foreign currencies are initially recorded at Pak Rupees by applying the foreign exchange rate ruling on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the balance sheet date except for balances covered under forward exchange contracts, which are converted at the contracted rates. Exchange differences are included in profit and loss account.

4.18 Related party transactions

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices determined in accordance with the Company's policy except for the allocation of expenses such as utilities, rental and common overheads relating to the corporate office shared with related parties, which are on actual basis.

4.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, intangibles, stores and spares, stock in trade and trade and other debts. Segment liabilities comprise of operating liabilities and exclude items such as taxation and corporate liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

4.20 Revenue recognition

- Local and export sales are recorded on dispatch of goods to customers.
- Processing income is recognised on the basis of services rendered to customers.
- Profit on bank deposits is recognized on a time proportion basis that takes into account the effective yield on the deposits.
- Rebates on exports, if any, are accounted for on accrual basis.

4.21 Dividend

Dividends are recognized as a liability in the period in which these are declared.

Note 5

Issued, Subscribed and Paid Up Capital

2012	2011	2012	2011
No. of Shares		Rupees	Rupees
Ordinary shares of Rs. 10 each fully paid in cash			
40,000,000	40,000,000	400,000,000	400,000,000
<u>40,000,000</u>	<u>40,000,000</u>	<u>400,000,000</u>	<u>400,000,000</u>

5.1 75,000 (2011: 75,000) shares representing 0.19% equity of the Company are held by Naveed Industries (Private) Limited, an associated company.

5.2 The shareholders in Extraordinary General Meeting held on June 25, 2010 have approved the issuance of 25 million ordinary shares of Rs. 10 each at par to the directors of the Company without offering rights to members in their existing shareholding proportion in accordance with the provisions of section 86(1) of the Companies Ordinance, 1984. The issue of capital is subject to the approval of Securities and Exchange Commission of Pakistan. No shares issued during the year.

Note 6

Long Term Financing

	Note	2012 Rupees	2011 Rupees
Banking companies - Secured			
Long term financing	6.1	222,929,135	312,972,792
Less:			
- Repayment		(81,952,885)	(90,043,657)
- Current portion	13	<u>(68,876,250)</u>	<u>(81,953,735)</u>
		72,100,000	140,975,400
Related parties - Unsecured			
Loan from directors - subordinated	6.2	<u>301,215,378</u>	<u>263,215,378</u>
		<u>373,315,378</u>	<u>404,190,778</u>

6.1 These facilities have been obtained from various commercial banks under LTF - EOP and LTFF schemes of State Bank of Pakistan (SBP) and under normal demand / term financing for the purchase of plant and machinery. These are repayable in equal quarterly installments with grace periods where applicable. These carry mark-up from 7% to 9% (2011: 7% to 8%) per annum for SBP schemes and KIBOR+ 2% to 2.5% (2011 KIBOR+ 2% to 2.5%) per annum for demand / term finances.. The loans are secured against exclusive charge over textile machinery, hypothecation of stocks of weaving unit of the Company, export letters of credit and personal guarantees of directors of the Company. The facilities are repayable latest by September 2013.

6.2 These loans are unsecured and interest free. Loans amounting to Rs. 250 million are under subordination agreement and shall be repaid after the repayment of liabilities of the banks. Remaining amount of loan shall be repaid as and when the cash flows of the Company allow.

Note 7

Liabilities Against Assets Subject To Finance Lease

	2012 Rupees	2011 Rupees
The amounts of future lease rentals are payable during:		
- 2011 - 2012	-	10,183,061
- 2012 - 2013	7,237,308	6,896,718
- 2013 - 2014	821,422	313,552
- 2014 - 2015	<u>140,970</u>	<u>-</u>
	8,199,700	17,393,331
Security deposits	<u>6,218,780</u>	<u>6,730,980</u>
	14,418,480	24,124,311
Financial charges not currently due	<u>(803,862)</u>	<u>(3,231,752)</u>
Present value of minimum lease payments	13,614,618	20,892,558
Current portion	<u>(8,075,873)</u>	<u>(8,117,952)</u>
	<u>5,538,745</u>	<u>12,774,606</u>

Note 7 - Liabilities against assets sub ... Contd.

Reconciliation between total of minimum lease payments and their present value is as under:

Gross minimum lease payments:

- Due not later than one year	9,099,008	10,183,061
- Due later than one year but not later than five years	5,319,472	13,941,250
	<u>14,418,480</u>	<u>24,124,311</u>

Present value of minimum lease payments:

- Due not later than one year	8,075,873	8,117,952
- Due later than one year but not later than five years	5,538,745	12,774,606
	<u>13,614,618</u>	<u>20,892,558</u>

7.1 This represents finance lease arrangements entered into with banks / leasing companies to acquire vehicles and plant and machinery. Financing rates ranging from 12.5% to 20% (2011: 12.5% to 20%) per annum, approximately, have been used as discounting factor. Taxes, repairs, replacement and insurance costs are borne by the Company.

7.2 Lease liabilities are secured against title of leased assets, personal guarantees of directors and security deposits amounting to Rs. 6.219 million (2011: Rs. 6.730 million).

Note 8

Deferred Liability

	Note	2012 Rupees	2011 Rupees
Defined benefits plan - Gratuity	8.1	29,249,008	29,379,518
Deferred tax - net	8.2	<u>19,713,757</u>	<u>25,724,324</u>
		<u>48,962,765</u>	<u>55,103,842</u>

8.1 Defined benefits plan - Gratuity

	2012	2011
Discount rate	14%	14%
Expected rate of salary increase in future years	13%	13%
Average expected remaining working life time of employees	4 years	4 years
Actuarial valuation method	Projected Unit Credit Method	

8.1.2 Basing upon the actuarial valuation, the Company's liability works out to be as follows:

		2012 Rupees	2011 Rupees
Opening balance	8.1.3.2	29,379,518	24,051,585
Charge for the year	8.1.3.3	<u>13,783,721</u>	<u>10,881,123</u>
		43,163,239	34,932,708
Benefits paid to outgoing employees		<u>(13,914,231)</u>	<u>(5,553,190)</u>
Closing balance	8.1.3.4	<u>29,249,008</u>	<u>29,379,518</u>

8.1.3 Reconciliation as per actuarial valuation

8.1.3.1 Changes in present value of defined benefit obligation

Present value of defined benefit obligation as at July 01		32,689,457	24,431,056
Current service cost		9,102,549	7,949,396
Interest cost		4,576,524	2,931,727
Benefits paid during the year		(13,536,631)	(5,354,620)
Benefits due but not paid		-	(377,600)
Actuarial loss arising during the year	8.1.3.5	104,648	3,109,498
Present value of defined benefit obligation as at June 30		<u>32,936,547</u>	<u>32,689,457</u>

Note 8 - Deferred Liability ... Contd.

8.1.3.2 Balance sheet liability as at July 01

Present value of defined benefit obligation	32,689,457	24,431,056
Actuarial losses to be recognised in later periods	(3,687,539)	(578,041)
Benefits payable	377,600	198,570
Present value of defined benefit obligation	<u>29,379,518</u>	<u>24,051,585</u>

8.1.3.3 Charge for the year

Current service cost	9,207,197	7,949,396
Interest cost	4,576,524	2,931,727
	<u>13,783,721</u>	<u>10,881,123</u>

Rs. 8.542 million has been charged to cost of goods sold and Rs. 5.241 million has been charged to administration cost.

8.1.3.4 Balance sheet liability as at June 30

Present value of defined benefit obligation	32,936,547	32,689,457
Actuarial losses to be recognised in later periods	(3,687,539)	(3,687,539)
Benefits payable	-	377,600
Present value of defined benefit obligation	<u>29,249,008</u>	<u>29,379,518</u>

8.1.3.5 Changes in Actuarial Losses

Actuarial losses as at July 01, 2011 / 2010	(3,687,539)	(578,041)
Actuarial loss arising during the year	(104,648)	(3,109,498)
Actuarial loss to be recognised in later periods	<u>(3,792,187)</u>	<u>(3,687,539)</u>

8.1.4 Expected contribution for next year

The expected contribution to gratuity scheme for the year ending June 30, 2013 based on above assumptions work out to Rs. 15.576 million.

8.1.5 The Company does not have any plan assets covering its post employment benefit payable. The comparative statements of present value of defined benefits obligation is as under:

Year	Present Value of Defined Benefits Obligation	Plan Assets	Deficit
	Rupees	Rupees	Rupees
2012	29,249,008	-	29,249,008
2011	29,379,518	-	29,379,518
2010	24,051,585	-	24,051,585
2009	21,016,725	-	21,016,725
2008	18,687,485	-	18,687,485

8.2 Deferred tax liability - Net

	2012	2011
	Rupees	Rupees
Taxable temporary differences		
- Accelerated tax depreciation	87,046,699	75,470,717
Deducted temporary differences		
- Recognized losses	(63,625,566)	(45,286,874)
- Staff retirement benefits and others	(3,707,376)	(4,459,519)
	<u>(67,332,942)</u>	<u>(49,746,393)</u>
	<u>19,713,757</u>	<u>25,724,324</u>

Note 9

Long Term Advance

		2012	2011
	Note	Rupees	Rupees
Long term advance from customer	9.1	<u>32,000,000</u>	<u>32,000,000</u>

- 9.1** This represents long term revolving fund obtained from a major customer that will be adjusted and replenished on continuous basis. The advance is un-secured and interest free.

Note 10

Trade and Other Payables

		2012	2011
	Note	Rupees	Rupees
Creditors			
- Secured	10.1	110,248,028	171,932,438
- Unsecured	10.2	145,699,315	140,662,966
Accrued liabilities		50,973,159	44,975,579
Unclaimed dividend		3,107,771	3,111,143
Workers' (profit) participation fund	10.3	6,750,438	6,022,604
Income tax payable		1,188,018	7,520,164
Other liabilities		2,727,092	2,501,405
		<u>320,693,820</u>	<u>376,726,299</u>

- 10.1** These are secured against letters of credit issued by the bankers of the Company.

- 10.2** This includes amount due to following related parties on account of raw material purchases as follows:

	2012	2011
	Rupees	Rupees
Chakwal Spinning Mills Limited	343,440	343,400
Chakwal Textile Mills Limited	1,825,371	-
Kohinoor Spinning Mills Limited	5,242,426	5,173,238
	<u>7,411,237</u>	<u>5,516,638</u>

10.3 Workers' (profit) participation fund

	2012	2011
	Rupees	Rupees
Opening balance	6,022,604	2,140,573
Charge for the year	-	5,198,784
Interest for the year	727,830	-
	<u>6,750,434</u>	<u>7,339,357</u>
Payments made during the year	-	(1,316,753)
	<u>6,750,434</u>	<u>6,022,604</u>

The Company retained workers' profit participation fund for its business operation. Interest was provided at the prescribed rate under the Companies Profit (Workers') Participation Act, 1968.

Note 11

Accrued Mark up

		2012	2011
	Note	Rupees	Rupees
Long term financing	6	662,608	3,202,848
Short term borrowings	12	49,622,158	27,569,650
		<u>50,284,766</u>	<u>30,772,498</u>

Note 12

Short Term Borrowings

		2012	2011
	Note	Rupees	Rupees
Banking companies - Secured			
Running finance / packing credit / export finances	12.1	476,960,599	378,290,278
Related parties - Unsecured			
- Loan from directors	12.2	1,234,397	361,103
Others			
- Unpresented cheques	12.3	30,231,833	97,551,669
		<u>508,426,829</u>	<u>476,203,050</u>

12.1 Terms and conditions of borrowings

- **Purpose**

These facilities have been obtained with sanctioned limit of Rs. 878.5 million (2011: 655.5 million) for working capital requirements, procure stock of cotton, retirement of import bills, local and foreign LCs, discounting local bills / receivables and loan against trust receipts etc.

- **Mark up**

The mark up rate on various limits is 3-month Kibor plus 2% to 3% (2011: 3-month Kibor plus 2% to 3%) per annum, payable quarterly. Further, some limits carry commission against local LCs at 0.25% (2011: 0.25%) per quarter.

- **Securities**

These facilities are secured against pledge of raw material stocks, registered hypothecation charge over fabrics and yarn stocks, lien on export orders, imports documents, irrevocable L/Cs and export bills, charges over fixed and current assets of the Company and personal guarantees of sponsoring directors of the Company.

12.2 This represents interest free funds obtained from directors to meet working capital requirements of the Company.

12.3 This represents cheques issued but not presented on the balance sheet date. These cheques have been honoured subsequent to the balance sheet date.

Note 13

Current and Overdue Portion of Non Current Liabilities

		2012	2011
	Note	Rupees	Rupees
Long term loans	6	68,876,250	81,953,735
Liabilities against assets subject to finance lease	7	8,075,873	8,117,952
		<u>76,952,123</u>	<u>90,071,687</u>

Note 14

Provision for Taxation

	2012	2011
	Rupees	Rupees
Opening balance	52,123,986	13,831,480
Add: Charge for the current year	23,766,251	38,292,506
Add: Charge for the prior year	5,614,505	-
	<u>81,504,742</u>	<u>52,123,986</u>
Less: Payment / adjustments against advance tax	(57,738,491)	-
	<u>23,766,251</u>	<u>52,123,986</u>

Note 15

Contingencies and Commitments

Contingencies

Income tax liability amounting to Rs. 33.071 (2011: Rs. 33.071 million) upto the assessment year 2002-2003 under Section 62 of the repealed Income Tax Ordinance, 1979 was determined by the Income Tax Department. Pending the outcome of appeals filed by the Company, no provision has been made in these financial statements as the management views that the outcome of the appeals shall be in the favour of the Company.

Commitments

Commitments as at balance sheet date are as under:

	2012	2011
	Rs. (million)	Rs. (million)
Commitments for purchase of raw material and stores	2.448	45.144
Commitments for import of plant and machinery	0.840	1.213
Commitments for lease rentals	2.400	2.400

Note 16

Property, Plant and Equipment

	Note	2012 Rupees	2011 Rupees
Operating fixed assets	16.1	760,769,391	855,806,903
Capital work in progress	16.4	-	13,834,917
		<u>760,769,391</u>	<u>869,641,820</u>

16.1 Operating fixed assets

Description	Land	Freehold	Factory & Colony Building on Freehold Land	Factory & Colony Building on Leasehold Land	Plant & Machinery	Tools & Equipment	Office Equipment	Furniture and Fixtures	Vehicles	Total
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
16.1.1 Owned assets										
<i>Cost</i>										
Balance as at July 01, 2011		7,536,673	181,163,215	29,781,250	1,190,470,909	25,921,624	15,730,225	6,083,386	25,029,518	1,481,716,800
Additions		-	-	26,892,828	13,572,917	1,053,008	1,407,188	248,465	205,770	43,380,176
Deletions		-	-	-	(17,996,011)	-	-	-	(5,904,490)	(23,900,501)
Assets held for disposal		-	-	(56,674,078)	(1,094,211)	(19,715,144)	(179,400)	(367,265)	-	(78,030,098)
Balance as at June 30, 2012		<u>7,536,673</u>	<u>181,163,215</u>	<u>-</u>	<u>1,184,953,604</u>	<u>7,259,488</u>	<u>16,958,013</u>	<u>5,964,586</u>	<u>19,330,798</u>	<u>1,423,166,377</u>
<i>Accumulated Depreciation</i>										
Balance as at July 01, 2011		-	122,674,528	1,489,063	492,372,726	5,148,818	10,646,868	3,351,911	13,261,617	648,945,532
Charge for the year		-	2,924,434	1,526,662	49,023,557	2,166,713	1,118,321	294,704	2,218,052	59,272,443
Deletions		-	-	-	(15,232,338)	-	-	-	(5,015,076)	(20,247,414)
Assets held for disposal		-	-	(3,015,725)	(85,609)	(3,268,276)	(36,587)	(40,207)	-	(6,446,404)
Balance as at June 30, 2012		<u>-</u>	<u>125,598,962</u>	<u>-</u>	<u>526,078,336</u>	<u>4,047,255</u>	<u>11,728,602</u>	<u>3,606,408</u>	<u>10,464,593</u>	<u>681,524,157</u>
Written Down Value as at June 30, 2012		<u>7,536,673</u>	<u>55,564,253</u>	<u>-</u>	<u>658,875,268</u>	<u>3,212,233</u>	<u>5,229,411</u>	<u>2,358,178</u>	<u>8,866,205</u>	<u>741,642,221</u>
16.1.2 Leased assets										
<i>Cost</i>										
Balance as at July 01, 2011		-	-	-	-	-	-	-	33,849,032	33,849,032
Addition		-	-	-	-	-	-	-	984,376	984,376
Balance as at June 30, 2012		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,833,408</u>	<u>34,833,408</u>
<i>Accumulated Depreciation</i>										
Balance as at July 01, 2011		-	-	-	-	-	-	-	10,813,397	10,813,397
Charge for the year		-	-	-	-	-	-	-	4,892,841	4,892,841
Balance as at June 30, 2012		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,706,238</u>	<u>15,706,238</u>
Written Down Value as at June 30, 2012		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,127,170</u>	<u>19,127,170</u>
Total Written Down Value June 30, 2012		<u>7,536,673</u>	<u>55,564,253</u>	<u>-</u>	<u>658,875,268</u>	<u>3,212,233</u>	<u>5,229,411</u>	<u>2,358,178</u>	<u>27,993,375</u>	<u>760,769,391</u>
16.1.3 Depreciation rates		<u>-</u>	<u>5%</u>	<u>5%</u>	<u>7%</u>	<u>10%</u>	<u>20%</u>	<u>10%</u>	<u>20%</u>	

16.1.4 Dairy farm has been set up on land measuring 194.95 acres acquired on lease from the directors of the Company and the remaining lease term as at the balance sheet date was 8 years (2011: 9 years).

16.2 Operating fixed assets

Description	Land	Freehold	Factory & Colony Building on Freehold Land	Factory & Colony Building on Leasehold Land	Plant & Machinery	Tools & Equipment	Office Equipment	Furniture and Fixtures	Vehicles	Total
		Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
16.2.1 Owned assets										
<i>Cost</i>										
Balance as at July 01, 2010		7,536,673	181,163,215	29,781,250	1,176,951,927	13,163,708	15,289,033	5,547,596	24,176,063	1,453,609,465
Additions		-	-	-	13,518,982	12,757,916	463,992	535,790	1,771,490	29,048,170
Deletions		-	-	-	-	-	(22,800)	-	(3,575,935)	(3,598,735)
Transfers		-	-	-	-	-	-	-	2,657,900	2,657,900
Balance as at June 30, 2011		7,536,673	181,163,215	29,781,250	1,190,470,909	25,921,624	15,730,225	6,083,386	25,029,518	1,481,716,800
<i>Accumulated Depreciation</i>										
Balance as at July 01, 2010		-	119,596,176	-	440,279,296	3,645,615	9,425,481	3,064,337	11,258,977	587,269,882
Charge for the year		-	3,078,352	1,489,063	52,093,430	1,503,203	1,224,427	287,574	2,526,891	62,202,941
Deletions		-	-	-	-	-	(3,040)	-	(1,975,535)	(1,978,575)
Transfers		-	-	-	-	-	-	-	1,451,284	1,451,284
Balance as at June 30, 2011		-	122,674,528	1,489,063	492,372,726	5,148,818	10,646,868	3,351,911	13,261,617	648,945,532
Written Down Value as at June 30, 2011		7,536,673	58,488,687	28,292,187	698,098,183	20,772,806	5,083,357	2,731,475	11,767,901	832,771,268
16.2.2 Leased assets										
<i>Cost</i>										
Balance as at July 01, 2010		-	-	-	-	-	-	-	18,116,144	18,116,144
Additions		-	-	-	-	-	-	-	18,390,788	18,390,788
Transfers		-	-	-	-	-	-	-	(2,657,900)	(2,657,900)
Balance as at June 30, 2011		-	-	-	-	-	-	-	33,849,032	33,849,032
<i>Accumulated Depreciation</i>										
Balance as at July 01, 2010		-	-	-	-	-	-	-	6,577,341	6,577,341
Charge for the year		-	-	-	-	-	-	-	5,687,340	5,687,340
Transfers		-	-	-	-	-	-	-	(1,451,284)	(1,451,284)
Balance as at June 30, 2011		-	-	-	-	-	-	-	10,813,397	10,813,397
Written Down Value as at June 30, 2011		-	-	-	-	-	-	-	23,035,635	23,035,635
Total Written Down Value as at June 30, 2011		7,536,673	58,488,687	28,292,187	698,098,183	20,772,806	5,083,357	2,731,475	34,803,536	855,806,903
16.2.3 Depreciation rates		-	5%	5%	7%	10%	20%	10%	20%	

Note 16 - Property, Plant and Equipment ... Contd.

16.3 Allocation of depreciation charge

Depreciation charge for the year has been apportioned as follows:

	Note	2012 Rupees	2011 Rupees
Cost of sales	29	55,705,574	58,179,675
Administrative expenses	31	8,459,710	9,710,606
		<u>64,165,284</u>	<u>67,890,281</u>

16.3.1 Disposal of Property, plant and equipment

Detail of property, plant and equipment disposed off during the year is as follows:

Particulars	Cost Rupees	Accumulated Depreciation Rupees	Written Down Value Rupees	Sale Proceed Rupees	Gain / (Loss) on Disposal Rupees	Buyer Name
Plant and Machinery						
Manual Cone Winding Machines	1,044,000	885,488	158,512	754,310	595,798	Ahsan Elahi - Negotiation
Ring Frames	16,952,011	14,346,850	2,605,161	1,600,000	(1,005,161)	Pakistan Textile Associate -
Sub total	<u>17,996,011</u>	<u>15,232,338</u>	<u>2,763,673</u>	<u>2,354,310</u>	<u>(409,363)</u>	Negotiation
Vehicles						
Toyota Land Cruiser	5,800,000	4,955,652	844,348	2,000,000	1,155,652	Khawaja Muhammad Kaleem - Director
Honda CD 70	50,490	29,939	20,551	42,412	21,861	Sabir Hussain - Negotiation
Honda CD 70	54,000	29,485	24,515	45,360	20,845	Maqsood Ali - Negotiation
	<u>5,904,490</u>	<u>5,015,076</u>	<u>889,414</u>	<u>2,087,772</u>	<u>1,198,358</u>	
Total 2012	<u>23,900,501</u>	<u>20,247,414</u>	<u>3,653,087</u>	<u>4,442,082</u>	<u>788,995</u>	
Total 2011	<u>3,598,735</u>	<u>1,978,575</u>	<u>1,620,160</u>	<u>2,378,000</u>	<u>757,840</u>	

Note 16 - Property, Plant and Equipment ... Contd.

16.4 Capital Work in Progress

	2012	2011
	Rupees	Rupees
Opening balance	13,834,917	-
Additions during the year	21,401,730	13,834,917
	35,236,647	13,834,917
Transferred to property, plant and equipment	(35,236,647)	-
	-	13,834,917

Note 17

Intangible Assets

	2012	2011
	Rupees	Rupees
Net carrying value		
Opening balance of net book value	1,698,405	1,924,066
Additions	-	170,520
Amortization	(339,681)	(396,181)
Net book value as at June 30	1,358,724	1,698,405
Gross carrying value		
Cost	3,630,520	3,630,520
Accumulated amortization	(2,271,796)	(1,932,115)
Net book value	1,358,724	1,698,405
Amortization rate per annum	20%	20%

17.1 Amortization charge for the year has been allocated to cost of sales.

17.2 Intangible assets as at June 30, 2012 includes ERP system and other software implemented and used by the Company.

Note 18

Biological Assets

		2012	2011
	Note	Rupees	Rupees
Live Stock:			
- Mature	18.1	89,583,159	72,150,050
- immature		1,515,000	2,443,800
Plantation		992,320	992,320
Assets held for disposal		(92,090,479)	-
		-	75,586,170

18.1 This represent breeding cows and female calves held for the purpose of producing milk. Immature male calves are raised for subsequent sale in the market and mature bulls are used for insemination.

Reconciliation of carrying value of biological assets

	2012	2011
	Rupees	Rupees
Carrying value at the beging of the year	75,586,170	10,450,000
Add:		
- Purchases during the year	30,610,290	55,360,477
- Gain arising from change in fair value less estimated point of sale costs attributed to physical / price changes	-	16,324,903
Less:		
- Disposals / deaths during the year	(14,105,981)	(6,549,210)
- Transfer to assets held for disposal	(92,090,479)	-
Carrying value at end of the year	-	75,586,170

Note 19

Long Term Loans

		2012	2011
	Note	Rupees	Rupees
Loans to employees - (Secured - considered good)			
- Due from executives	19.1	8,227,602	11,508,221
- Due from other employees		8,583,484	10,322,594
		16,811,086	21,830,815
Less: Current portion			
- Due from executives		(2,168,012)	(736,729)
- Due from other employees		(356,538)	(880,127)
		(2,524,550)	(1,616,856)
		<u>14,286,536</u>	<u>20,213,959</u>
		2012	2011
		Rupees	Rupees

19.1 Reconciliation of carrying amount of loan to executives:

Opening balance	11,508,221	7,898,801
Disbursement during the year	5,685,545	4,296,307
	17,193,766	12,195,108
Recoveries during the year	(8,966,164)	(686,887)
Closing Balance	<u>8,227,602</u>	<u>11,508,221</u>

19.2 This represents interest free loans given to executives and other employees for construction of houses and other purposes as per the Company's policy. These loans shall be recovered in monthly installments from salary and are secured against gratuity balances.

19.3 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs. 11.51 million (2011: Rs. 11.51 million)

19.4 Long term loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material.

Note 20

Long Term Deposits

		2012	2011
	Note	Rupees	Rupees
Security deposits against:			
- Utilities		2,731,503	2,731,503
- Finance lease		6,218,780	6,730,980
- Adjustable within next 12 months	25	(1,861,700)	(700,800)
		4,357,080	6,030,180
		<u>7,088,583</u>	<u>8,761,683</u>

Note 21

Stores and Spares

	2012	2011
	Rupees	Rupees
Stores	21,231,986	23,388,685
Spares	19,474,564	12,664,113
	<u>40,706,550</u>	<u>36,052,798</u>

21.1 No identifiable stores and spares were held for specific capitalization.

Note 22

Stock in Trade

	2012	2011
	Rupees	Rupees
Raw and packing materials	42,796,684	31,688,917
Work in process	63,758,796	47,222,907
Finished goods	231,133,487	186,184,239
	<u>337,688,967</u>	<u>265,096,063</u>

Note 22 - Stock in Trade ... Contd.

- 22.1** This includes stocks amounting to Rs. 168.18 million (2011:Rs. 112.42 million) approximately, which are pledged against short term borrowings (refer note 12).

Note 23

Trade Debts

	2012	2011
	Rupees	Rupees
Local debts (Unsecured - considered good)	9,627,052	47,968,069
Foreign debts (Secured - considered good)	51,531,838	201,103,208
	<u>61,158,890</u>	<u>249,071,277</u>

- 23.1** The maximum aggregate amount of receivable due from Chakwal Textile Mills Limited at the end of any month during the year was Rs. 2.046 million (2011:Rs. 9.469 million)

Note 24

Loans and Advances

		2012	2011
	Note	Rupees	Rupees
Current portion of loan to employees:	19		
- Due from executives		2,168,012	736,729
- Due from other employees		356,538	880,127
		<u>2,524,550</u>	<u>1,616,856</u>
Advances - Considered good:			
- Suppliers and contractors		45,706,011	46,551,117
- Employees		2,810,748	2,462,605
- Letters of credit		21,043	2,596,542
Income tax deducted at source and advance tax		60,262,646	95,312,469
		<u>111,324,998</u>	<u>148,539,589</u>

Note 25

Trade Deposits, Short Term Prepayments and Other Receivables

		2012	2011
	Note	Rupees	Rupees
Margin against letter of credit		19,046,919	60,097,863
Margin against guarantee		4,837,990	4,837,990
Security deposits		236,992	236,992
Deposit against finance lease	20	1,861,700	700,800
Prepayments		908,755	3,725,039
Other receivables - considered good:			
- Export rebate		1,939,147	2,337,470
- Others		124,057	761,580
		<u>28,955,560</u>	<u>72,697,734</u>

Note 26

Assets Held for Disposal

		2012	2011
	Note	Rupees	Rupees
Assets held for disposal:			
Non current assets	16	71,583,694	-
Biological assets	18	92,090,479	-
		<u>163,674,173</u>	<u>-</u>

The company has decided to dispose off the assets of its dairy segment and shareholders approval in this regard has been obtained through special resolution passed in the extra ordinary general meeting held on April 20, 2012. Necessary steps in this context are in process including negotiations with interested parties. The management foresees that the transaction shall conclude within a time frame of one year and is actively persuing the matter.

Note 26 - Assets held for disposal ... Contd.

The fair value of the assets of dairy segment to be disposed off has been estimated at Rs. 165 million by an approved valuer as on June 30, 2012.

26.1 Analysis of discontinued operations

Revenue	57,175,972	-
Cost of sales	(63,380,673)	-
Distribution cost	(601,147)	-
Administration expenses	(1,291,265)	-
Other operating expenses	(8,564,155)	-
Finance cost	(365,218)	-
	<u>(74,202,458)</u>	<u>-</u>
(Loss) / profit before tax from discontinued operations	(17,026,486)	-
Taxation	(571,760)	-
(Loss) after taxation	<u>(17,598,246)</u>	<u>-</u>

26.2 Analysis of the cash flows of discontinued operations

Operating cash flows	11,619,703	-
Investing cash flows	(36,138,004)	-
Financing cash flows	23,667,014	-
Total cash flows	<u>(851,287)</u>	<u>-</u>

Note 27

Cash and Bank Balance

	2012	2011
Note	Rupees	Rupees
Imprest with staff	421,963	139,297
Cash in hand	1,570,720	899,413
Cash at bank - in current accounts	<u>3,506,261</u>	<u>5,270,800</u>
	<u>5,498,944</u>	<u>6,309,510</u>

Note 28

Sales

	2012	2011
	Rupees	Rupees
Exports		
- Grey cloth	1,194,222,828	2,112,604,411
- Processed cloth	38,236,526	315,435,924
- Export rebate	596,273	1,159,148
	<u>1,233,055,627</u>	<u>2,429,199,483</u>
Local		
- Grey cloth	425,052,235	399,041,801
- Processed cloth	12,883,924	2,273,671
- Yarn	626,321,259	1,018,107,605
- Milk	57,175,192	14,666,976
	<u>1,121,432,610</u>	<u>1,434,090,053</u>
Waste sales	9,391,415	4,363,537
Processing income	<u>31,334,944</u>	<u>-</u>
	<u>2,395,214,596</u>	<u>3,867,653,073</u>
Sales tax	(1,215,674)	-
Commission	<u>(17,373,781)</u>	<u>(38,402,483)</u>
	<u>2,376,625,141</u>	<u>3,829,250,590</u>

Note 29

Cost of Sales

		2012	2011
	Note	Rupees	Rupees
Raw materials consumed	29.1	1,690,223,334	2,900,208,635
Salaries, wages and other benefits	29.2	156,527,454	163,289,108
Dying and processing charges		4,867,233	38,734,706
Fuel and power		237,825,079	269,105,414
Stores, spares and chemicals consumed		81,600,284	83,286,424
Packing material		19,418,450	27,044,101
Insurance		7,785,588	7,015,674
Repairs and maintenance		6,729,645	6,910,505
Miscellaneous		14,735,152	11,034,840
Amortization	17	339,681	396,181
Depreciation	16.3	55,705,574	58,179,675
		<u>2,275,757,474</u>	<u>3,565,205,263</u>
Work in process:			
- Opening work in process		47,222,907	69,437,467
- Closing work in process		(63,758,796)	(47,222,907)
		<u>(16,535,889)</u>	<u>22,214,561</u>
Cost of goods manufactured		<u>2,259,221,585</u>	<u>3,587,419,824</u>
Finished goods:			
- Opening finished goods		186,184,239	63,003,935
- Cloth purchased		723,200	-
		<u>186,907,439</u>	<u>63,003,935</u>
- Closing finished goods		(231,133,487)	(186,184,239)
		<u>(44,226,048)</u>	<u>(123,180,304)</u>
		<u>2,214,995,538</u>	<u>3,464,239,519</u>
		2012	2011
		Rupees	Rupees
29.1 Raw materials consumed:			
- Opening stock		31,688,917	79,091,461
- Purchases		1,663,678,347	2,834,024,288
- Purchase expenses		43,658,328	36,032,022
		<u>1,739,025,592</u>	<u>2,949,147,770</u>
- Cost of raw materials sold		<u>(6,005,574)</u>	<u>(17,250,219)</u>
		<u>1,733,020,018</u>	<u>2,931,897,552</u>
- Closing stock		<u>(42,796,684)</u>	<u>(31,688,917)</u>
		<u>1,690,223,334</u>	<u>2,900,208,635</u>

29.2 This includes Rs. 8.542 million (2011: Rs. 7.75 million), approximately, in respect of employee benefits - gratuity scheme.

Note 30

Distribution Cost

	2012	2011
	Rupees	Rupees
Salaries, wages and other benefits	6,921,539	6,253,422
Freight, octroi and other charges	57,043,902	71,726,740
Commission, claims and promotion	3,800,913	4,668,435
Travelling and conveyance	3,738,225	7,133,615
Printing and stationery	27,304	91,448
Communication	694,953	1,025,439
Testing, sampling and others	366,418	735,391
	<u>72,593,254</u>	<u>91,634,490</u>

Note 31

Administrative Expenses

		2012	2011
	Note	Rupees	Rupees
Salaries, wages and other benefits	31.1	35,875,226	33,716,598
Traveling and conveyance		239,266	1,052,285
Rent, rates and taxes		1,469,042	1,283,130
Printing and stationery		653,380	1,004,121
Communications		2,077,729	2,222,181
Entertainment		546,880	655,281
Electricity and gas		3,416,360	2,370,926
Vehicles' running and maintenance		3,672,350	3,803,256
Legal and professional charges		1,830,391	2,213,850
Fees and subscriptions		699,399	331,728
Repairs and maintenance		1,647,399	2,145,190
Insurance		2,703,588	2,721,524
Donations	31.2	100,500	174,750
Advertisement		143,859	437,693
Miscellaneous		2,059,379	422,335
Depreciation	16.3	8,459,710	9,710,606
		<u>65,594,458</u>	<u>64,265,454</u>

31.1 This includes Rs. 5.241 million (2011: Rs. 3.126 million), approximately, in respect of employee benefits - gratuity scheme.

31.2 None of the directors and their spouses had any interest in any of the donees.

Note 32

Other Operating Charges

		2012	2011
	Note	Rupees	Rupees
Auditors' remuneration	32.1	850,000	660,000
Loss on sale of property, plant and equipment		-	3,320,870
Workers' (profit) participation fund		-	5,198,784
Exchange loss		12,966,426	
Loss on sale of biological assets		4,790,018	-
		<u>18,606,444</u>	<u>9,179,654</u>

32.1 Auditors' remuneration

Audit fee	600,000	490,000
Certification and reviews	250,000	170,000
	<u>850,000</u>	<u>660,000</u>

Note 33

Finance Cost

	2012	2011
	Rupees	Rupees
Mark up on:		
- Long term financing	5,283,013	15,547,023
- Short term borrowings	84,544,774	70,490,430
- Finance lease	2,066,275	3,334,827
Workers' (profit) participation fund	727,830	-
Bank charges and commissions	24,523,593	14,992,767
	<u>117,145,485</u>	<u>104,365,047</u>

Note 34

Other Operating Income

	2012	2011
	Rupees	Rupees
<i>Income from financial assets</i>		
Exchange gain	-	3,210,465
Profit on saving account	4,127	-
	4,127	3,210,465
<i>Income from non-financial assets</i>		
Gain on disposal of property, plant and equipment	788,995	1,073,185
Gain on sale of raw material - net	439,364	3,238,310
Gain on fair market valuation of biological assets	-	16,324,903
	1,228,359	20,636,398
	1,232,486	23,846,863

Note 35

Taxation

		2012	2011
	Note	Rupees	Rupees
For the year			
- Current		23,766,251	38,292,506
- Deferred	8.2	(6,010,567)	19,279,838
		17,755,684	57,572,344
Surcharge on tax		2,453	1,305,510
Prior year		5,614,505	-
		23,372,642	58,877,854

35.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate is as follow:

	2012	2011
	%	%
Applicable tax rate	35%	35%
Tax effect of income chargeable under different rates	-14%	14%
Applicable effective tax rate charged to profit and loss account	21%	49%

35.2 Income tax assessments of the Company have been finalized upto and including tax year 2011 by deeming provisions of Income Tax Ordinance, 2001, however, appeals before appellate forums are pending on various legal issues.

Note 36

(Loss) / Earning per Share

	2012	2011
	Rupees	Rupees
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	40,000,000	40,000,000
Continuing operations:		
(Loss) / profit after taxation	(116,851,948)	60,535,435
(Loss) / Earning per share - basic (Rupees per share)	(2.92)	1.51
Discontinuing operations:		
(Loss) / profit after taxation	(17,598,246)	-
(Loss) / Earning per share - basic (Rupees per share)	(0.44)	-
(Loss) / profit after taxation	(134,450,194)	60,535,435
(Loss) / Earning per share - basic (Rupees per share)	(3.36)	1.51

Note 36 - (Loss) / earning per share ... Contd.

36.1 Diluted (loss) / earnings per share

There is no dilution effect on the basic (loss) / earnings per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

Note 37

Cash Generated from Operations

	2012	2011
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(111,077,552)	119,413,289
Adjustments for:		
- Depreciation	64,165,284	67,890,281
- Amortization of intangible asset	339,681	396,181
- Provision for gratuity	13,783,721	10,881,123
- Gain arising from change in fair value less estimated point of sale costs attributed	-	(16,324,903)
- (Gain) / Loss on disposal of property, plant and equipment	(788,995)	(764,600)
- Loss on disposal of biological assets	4,790,018	3,320,870
- Gain on sale of stores and raw material - net	(439,364)	(3,238,310)
- Finance cost	117,145,485	104,365,047
- Workers' (profit) participation fund	-	5,198,784
- Profit on bank deposit	(4,127)	-
	<u>198,991,703</u>	<u>171,724,473</u>
Operating profit before working capital changes	87,914,151	291,137,762
(Increase) / decrease in current assets		
- Stores and spares	(4,653,752)	(14,110,504)
- Stock in trade	(78,598,478)	(70,813,418)
- Trade debts	187,912,387	(100,415,872)
- Loans and advances	3,072,462	(30,514,442)
- Trade deposits, short term prepayments and other receivables	44,903,074	(40,814,964)
- Sales tax refundable	3,318,571	(115,725)
(Decrease) / increase in current liabilities		
- Trade and other payables	(56,029,106)	131,156,337
	<u>99,925,157</u>	<u>(125,628,588)</u>
Cash generated from operations	<u><u>187,839,308</u></u>	<u><u>165,509,174</u></u>

Note 38

Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in the accounts for the year as remuneration and benefits to the chief executive and directors of the Company are as follows:

	2012			2011		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	4,000,000	4,000,000	8,568,733	4,000,000	4,000,000	6,376,133
House rent allowance	1,600,000	1,600,000	3,427,493	1,600,000	1,600,000	2,550,453
Utilities	400,000	400,000	856,873	400,000	400,000	637,613
Car allowance and others	370,023	326,910	2,427,490	413,485	1,061,936	272,385
	<u>6,370,023</u>	<u>6,326,910</u>	<u>15,280,589</u>	<u>6,413,485</u>	<u>7,061,936</u>	<u>9,836,584</u>
Number of persons	1	1	11	1	1	7

38.1 No meeting fee has been paid to any director of the Company.

38.2 Chief executive, directors and executives are provided with free use of Company maintained vehicles.

38.3 Executives are defined as employees with basic salary exceeding Rs. 500,000.

Note 39

Transaction with Related Parties

Related parties and associated undertaking comprise related group companies, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment, are as follows:

	2012	2011
	Rs. (million)	Rs. (million)
Associates and related parties		
Purchase of material, goods and utilities		
- Chakwal Textile Mills Limited	32.850	58.365
- Chakwal Spinning Mills Limited	1.369	2.284
- Kohinoor Spinning Mills Limited	0.615	21.868
Sale of material, goods and services		
- Chakwal Textile Mills Limited	6.445	6.716
- Chakwal Spinning Mills Limited	0.011	4.224
- Kohinoor Spinning Mills Limited	-	9.396
Long term loan repaid to directors - net	38.000	(22.438)
Short term funds availed from directors - net	0.873	0.139
Rent of building paid - Director	2.400	2.400

There were no transactions with key management personnel other than undertaken as per terms of their employment as disclosed in Note 38.

Sale and purchase transactions have been carried out on commercial terms and conditions as per Company's policy.

Note 40

Segment Reporting

For management purposes, the activities of the Company are organized into three operating segment i.e., weaving, spinning and dairy. The Company operates in the said reportable operating segments based on the nature of products, risks and returns, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these financial statements related to the Company's reportable segment.

Information regarding the Company's reportable segment is presented below:

40.1 Segment revenues and results

	Weaving Segment Rupees	Spinning Segment Rupees	Dairy Segment Rupees	Total Rupees
For the year ended June 30, 2012				
Sales - net	1,685,047,212	634,401,957	57,175,972	2,376,625,141
Cost of sales	(1,468,515,380)	(683,099,486)	(63,380,673)	(2,214,995,538)
Gross Profit	216,531,832	(48,697,529)	(6,204,701)	161,629,603
Distribution cost	(67,951,585)	(4,040,522)	(601,147)	(72,593,254)
Administrative expenses	(44,534,750)	(19,768,443)	(1,291,265)	(65,594,458)
	(112,486,335)	(23,808,965)	(1,892,412)	(138,187,712)
Operating Profit	104,045,497	(72,506,494)	(8,097,113)	23,441,891
Other operating charges	(10,042,289)	-	(8,564,155)	(18,606,444)
Finance cost	(111,106,544)	(5,673,723)	(365,218)	(117,145,485)
Other operating income	1,181,640	50,846	-	1,232,486
Loss before Taxation	(15,921,696)	(78,129,371)	(17,026,486)	(111,077,552)
Taxation				(23,372,642)
Loss after taxation				(134,450,194)
For the year ended June 30, 2011				
Sales - net	2,792,882,571	1,021,704,893	14,663,126	3,829,250,590
Cost of sales	(2,474,695,643)	(962,867,350)	(26,676,527)	(3,464,239,520)
Gross Profit	318,186,928	58,837,543	(12,013,401)	365,011,070
Distribution cost	(85,180,366)	(6,361,923)	(92,200)	(91,634,490)
Administrative expenses	(43,586,942)	(20,452,779)	(225,732)	(64,265,453)
	(128,767,308)	(26,814,703)	(317,932)	(155,899,943)
Operating Profit	189,419,620	32,022,841	(12,331,333)	209,111,128
Other operating charges	(5,858,782)	-	(3,320,870)	(9,179,652)
Finance cost	(94,449,480)	(9,865,037)	(50,529)	(104,365,047)
Other operating income	3,743,162	3,470,212	16,633,488	23,846,862
Profit before Taxation	92,854,520	25,628,015	930,756	119,413,290
Taxation				(58,877,854)
Profit after taxation				60,535,436

Note 40 - Segment Reporting ... Contd.

40.1.1 Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2011 : Nil)

40.1.2 The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3 to the financial statements.

40.2 Entity-wide disclosures regarding single reportable segment are as follows:

- *Information about products*

One product of the weaving segment comprises 4.30% (2011: 3.87%) of total sales for the year.

One product of the spinning segment comprises 33.62% (2011: 22.83%) of total sales for the year.

- *Information about major customers*

One customer of the weaving segment accounts for 33.26% (2011: 31.63%) of total sales for the year.

One customer of the dairy segment accounts for 32.93% (2011: 48.44%) of total sales for the year.

There is no major customer in respect of sale of spinning segment of the Company.

- *Information about geographical area*

	2012	2011
	Rupees	Rupees
Local sale	1,162,158,969	1,399,981,107
Export sale	1,233,055,627	2,429,199,483
	<u>2,395,214,596</u>	<u>3,829,180,590</u>

- All non-current assets of the Company are located in Pakistan as at reporting date.

40.3 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Weaving Segment Rupees	Spinning Segment Rupees	Dairy Segment Rupees	Total Rupees
As at June 30, 2012				
Segment assets for reportable segments	1,235,221,007	141,404,882	95,622,781	1,472,248,670
Unallocated corporate assets				73,871,987
Total assets as per balance sheet				<u>1,546,120,657</u>
Segment liabilities for reportable segments	1,157,680,575	157,375,814	101,118,037	1,416,174,426
Unallocated corporate liabilities				23,766,251
Total liabilities as per balance sheet				<u>1,439,940,677</u>
As at June 30, 2011				
Segment assets for reportable segments	1,311,543,432	255,704,617	108,036,403	1,675,284,452
Unallocated corporate assets				95,312,469
Total assets as per balance sheet				<u>1,770,596,921</u>
Segment liabilities for reportable segments	1,353,605,975	14,302,954	109,933,755	1,477,842,684
Unallocated corporate liabilities				52,123,986
Total liabilities as per balance sheet				<u>1,529,966,670</u>

Note 40 - Segment Reporting ... Contd.

For the purposes of monitoring segment performance and allocating resources between segments

- all assets are allocated to reportable segments other than those directly relating to corporate and tax assets; and
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities.

40.4 Other Segment Information

	Weaving Segment Rupees	Spinning Segment Rupees	Dairy Segment Rupees	Total Rupees
<i>For the year ended 30 June 2012</i>				
Capital expenditure	4,576,558	11,109,400	28,678,594	44,364,552
Depreciation and amortization	51,476,066	9,048,490	3,640,728	64,165,284
Non-cash items other than depreciation and amortization - net	8,664,177	3,756,058	4,904,482	17,324,717

	Weaving Segment Rupees	Spinning Segment Rupees	Dairy Segment Rupees	Total Rupees
<i>For the year ended 30 June 2011</i>				
Capital expenditure	25,734,959	8,015,165	13,458,934	47,209,058
Depreciation and amortization	55,442,698	9,638,867	2,808,716	67,890,281
Non-cash items other than depreciation and amortization - net	2,323,176	-	16,324,903	18,648,079

Note 41

Financial Risk Management

41.1 Financial risk factors

The Company's activities expose it to a variety of following financial risks:

- (a) Market risk (including currency risk, other price risk and interest rate risk)
- (b) Credit
- (c) Liquidity

The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance. Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

(i) Currency risk

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

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to foreign receivables. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. The Company's exposure to currency risk was as follows:

	2012		
	Rs.	USD	EURO
Trade debts	51,531,838	572,099	423,416
Gross balance sheet exposure	51,531,838	572,099	423,416
Outstanding letters of credit	(3,288,457)	(36,508)	(27,020)
Net exposure	48,243,381	535,591	396,396

	2011		
	Rs.	USD	EURO
Trade debts	201,103,208	2,369,544	1,737,693
Gross balance sheet exposure	201,103,208	2,369,544	1,737,693
Outstanding letters of credit	(45,144,000)	(531,919)	(390,080)
Net exposure	155,959,208	1,837,625	1,347,613

The following exchange rates were applied during the year:

	2012	
	Rs. / \$	Rs. / Euro
<i>Rupees per foreign currency rate</i>		
Average rate	90.08	121.71
Reporting date rate	94.30	118.81

	2011	
	Rs. / \$	Rs. / Euro
<i>Rupees per foreign currency rate</i>		
Average rate	84.87	115.73
Reporting date rate	85.85	124.60

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the foreign currencies with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 2.412 million (2011: Rs. 7.797 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

(iii) Interest rate risk

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

Note 41 - Financial Risk Management ... Contd.

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

	2012	2011
	Rupees	Rupees
Floating rate instruments		
Financial liabilities		
Long term financing	140,976,250	222,929,135
Liabilities against assets subject to finance lease	13,614,618	20,892,558
Short term borrowings	508,426,829	476,203,050
Financial assets		
Bank balances - saving accounts	-	-

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, (loss) / profit before taxation for the year would have been Rs. 6.630 million (2011: Rs. 5.958 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

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

	2012	2011
	Rupees	Rupees
Long term loans	14,286,536	20,213,959
Long term deposits	2,731,503	2,731,503
Trade debts	61,158,890	249,071,278
Loan and advances	2,524,550	1,616,856
Trade deposits, short term prepayments and other receivables	8,046,941	11,899,071
Bank balances	3,506,261	5,270,800

The aging of trade debts at balance sheet date is as follows:

	2012	2011
	Rupees	Rupees
Current	28,714,496	48,355,072
1 - 30 days	14,357,248	91,852,502
31 - 60 days	13,338,589	14,184,436
61 - 120 days	1,395,945	66,215,873
120 days and above	3,352,611	28,463,395
	<u>61,158,889</u>	<u>249,071,278</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and trade debts are subject to specific credit ceilings.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter party default rate:

	Rating		Agency	2012	2011
	Short Term	Long Term		Rupees	Rupees
Allied Bank Limited	A1+	AA+	Pacra	71,687	297,655
Askari Commercial Bank Limited	A1+	AA	Pacra	279,886	755,398
Bank Alfalah Limited	A1+	AA	Pacra	4,620	79,137
Faysal Bank Limited	A1+	AA	Pacra / JCR - VIS	85,846	1,040,838
Habib Metropolitan Bank Limited	A1+	AA+	Pacra	64,605	86,316
KASB Bank Limited	A3	BBB	Pacra	232,614	296,655
MCB Bank Limited	A1+	AA+	Pacra	260,324	76,371
NIB Bank Limited	A1+	AA-	Pacra	45,484	45,484
Silk Bank Limited	A - 2	A - 1	JCR - VIS	6,602	2,516,602
United Bank Limited	A-1+	AA+	JCR - VIS	63,343	63,343
Sumit Bank	A - 2	A -	JCR - VIS	14,713	-
Dubai Islamic Bank	A - 1	A	JCR - VIS	2,445	-
Bank Of Punjab	A1+	AA-	Pacra	7,292	13,000
				<u>1,139,462</u>	<u>5,257,800</u>

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

Note 41 - Financial Risk Management ... Contd.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 878.5 million (2011: Rs. 795.63 million) worth short term borrowing limits available from financial institutions and Rs. 4.075 million (2011: Rs. 6.309 million) cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2012:

Description	Carrying Amount	On Demand	Contractual cash flows	Within 1 Year	1-2 Years	2-5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Long term finances	442,191,628	-	140,976,250	68,876,250	72,100,000	-
Liabilities against leased assets	13,614,618	-	8,199,700	7,237,308	821,422	140,970
Trade and other payables	316,778,710	-	316,778,710	316,778,710	-	-
Accrued mark up	50,284,766	-	50,284,766	50,284,766	-	-
Short term borrowings	508,426,829	508,426,829	-	-	-	-
	<u>1,331,296,551</u>	<u>508,426,829</u>	<u>516,239,426</u>	<u>443,177,034</u>	<u>72,921,422</u>	<u>140,970</u>

Contractual maturities of financial liabilities as at June 30, 2011:

Description	Carrying Amount	On Demand	Contractual cash flows	Within 1 Year	1-2 Years	2-5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Long term finances	576,188,170	-	754,835,330	284,917,708	98,922,737	370,994,885
Liabilities against leased assets	20,892,559	-	17,393,331	10,183,061	6,896,718	313,552
Trade and other payables	366,704,730	-	366,704,730	366,704,730	-	-
Accrued mark up	30,772,498	-	30,772,498	30,772,498	-	-
Short term borrowings	476,203,050	476,203,050	-	-	-	-
	<u>1,470,761,006</u>	<u>476,203,050</u>	<u>1,169,705,889</u>	<u>692,577,997</u>	<u>105,819,455</u>	<u>371,308,437</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 6 and Note 12 to these financial statements.

41.2 Fair values of financial assets and liabilities

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

Note 42

Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchase shares, if possible, selling surplus property, plant and equipment without affecting the optimal operating level, and regulate its dividend payout thus maintaining smooth capital management.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

As on the balance sheet date, the gearing ratio of the Company was as under:

	2012	2011
	Rupees	Rupees
Total borrowings	663,017,697	720,024,743
Cash and bank balances	(5,498,944)	(6,309,510)
Net Debt	<u>657,518,753</u>	<u>713,715,233</u>
Equity	106,179,980	240,630,174
Total Capital Employed	<u>763,698,733</u>	<u>954,345,407</u>
Gearing Ratio	<u>86.10%</u>	<u>74.79%</u>

Note 43

Plant Capacity and Production

	2012	2011
Number of looms installed	153	153
Installed capacity converted into 50 picks based on 364 days (Sq. Meters approximately)	73,673,861	73,673,861
Actual production converted into 50 picks - (Sq. Meters)	38,376,697	59,942,885
Number of spindles installed	15,936	23,616
Installed capacity in 20's count (Kgs) - approximately	7,848,991	9,358,132
Actual production after conversion into 20's count (Kgs)	4,792,756	7,874,730
Number of animals	<u>418</u>	<u>347</u>

43.1 Under utilization of installed capacities is mainly due to non availability of power.

Note 44

Authorization of Financial Statements

These financial statements were authorized for issue on _____ by the Board of Directors of the Company.

Note 45

Subsequent Events

There are no subsequent events occurring after balance sheet date.

Note 46

General

46.1 The figures have been rounded off to the nearest rupee.

46.2 Corresponding figures have been re-arranged, wherever necessary, to facilitate comparison. No material rearrangements have been made in these financial statements.

DIRECTOR

DIRECTOR

Persuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two directors in the absence of the Chief Executive who for the time being is not in the country.

Lahore
October 09, 2012