Kohinoor Textile Mills Limited

A Kohinoor Maple Leaf Group Company

Annual Report 2012

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Company Profile

THEN AND NOW

The Company commenced operation in 1953 as a private limited company and became a public limited company in 1968. The initial capacity of its Rawalpindi unit comprised 25,000 spindles and 600 looms. Later, fabric processing facilities were added and spinning capacity was augmented. Additional production facilities were acquired on the Raiwind-Manga Road near Lahore in District Kasur and on the Gulyana Road near Gujar Khan, by way of merger.

The Company's production facilities now comprise 156,528 ring spindles capable of spinning a wide range of counts using cotton and Man-made fibers. The weaving facilities at Raiwind comprise 204 looms capable of weaving wide range of greige fabrics. The processing facilities at the Rawalpindi unit are capable of dyeing and printing fabrics for the home textile market. The stitching facilities produce a diversified range of home textiles for the export market. Both the dyeing and stitching facilities are being augmented to take advantage of greater market access. Fully equipped laboratory facilities for quality control and process optimization have been up at all three sites.

The Company has been investing heavily in Information Technology, training of its human resources and preparing its management to meet the challenges of market integration.

Kohinoor Textile Mills Limited continues to ensure that its current competitive position is maintained as well as supporting the ongoing improvement process in our endeavour to maintain world best practice manufacturing.

Company Information

Board of Directors

Mr. Tariq Sayeed Saigol	Chairman
Mr. Taufique Sayeed Saigol	C.E.O
Mr. Sayeed Tariq Saigol	
Mr. Waleed Tariq Saigol	
Mr. Danial Taufique Saigol	
Mr. Zamiruddin Azar	
Mr. Arif Ijaz	
Syed Mohsin Raza Naqvi	

Audit Committee

Mr. Zamiruddin Azar	Chairman
Mr. Arif Ijaz	Member
Mr. Sayeed Tariq Saigol	Member
Mr. Waleed Tariq Saigol	Member

Human Resource & Remuneration Committee

Mr. Arif Ijaz	Chairman
Mr. Sayeed Tariq Saigol	Member
Mr. Danial Taufique Saigol	Member

Chief Financial Officer
Syed Mohsin Raza Naqvi

Company Secretary
Mr. Muhammad Ashraf

Chief Internal Auditor
Mr. Bilal Hussain

Auditors
M/s. Riaz Ahmad & Company
Chartered Accountants

Registered Office
42-Lawrence Road, Lahore.
Tel: (92-042) 36302261-62
Fax: (92-042) 36368721

Share Registrar
Vision Consulting Ltd
3-C, LDA Flats,
Lawrence Road, Lahore.
Tel: (92-042) 36375531-36375339
Fax: (92-042) 36374839
E-mail: shares@vcl.com.pk
Website: www.vcl.com.pk

Bankers
Al Baraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Burj Bank Limited
Citibank N.A.
Faysal Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Saudi Pak Industrial & Agricultural Investment Co. Limited
Silk Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
United Bank Limited

Mills
- Peshawar Road, Rawalpindi
  Tel: (92-051) 5473940-3 Fax: (92-051) 5471795
- 8Th K.M., Manga Raiwind Road, District Kasur
  Tel: (92-042) 35394133-35 Fax: (92-042) 35394132
- Gulyana Road, Gujar Khan, District Rawalpindi
  Tel: (92-0513) 564472-74 Fax: (92-0513) 564337

Website: www.kmlg.com

Note: KTML's Financial Statements are also available at the above website.

Vision

The Kohinoor Textile Mills Limited Stated Vision Is To Achieve And Then Remain As The Most Progressive And Profitable Company In Pakistan In Terms Of Industry Standards And Stakeholders Interest.

Mission

The Company Shall Achieve Its Mission Through A Continuous Process Of Having Sourced, Developed, Implemented And Managed The Best Leading Edge Technology, Industry Best Practice, Human Resource And Innovative Products And Services And Sold These To Its Customers, Suppliers And Stakeholders.

Code of Conduct

The following principles constitute the code of conduct which all Directors and employees of **Kohinoor Textile Mills Limited** are required to apply in their daily work and observe in the conduct of Company's business. While the Company will ensure that all employees are fully aware of these principles, it is the responsibility of each employee to implement the Company's policies. Contravention is viewed as misconduct.

The code emphasizes the need for a high standard of honesty and integrity which are vital for the success of any business.

PRINCIPLES

1. Directors and employees are expected not to engage in any activity which can cause conflict between their personal interest and the interest of the Company such as interest in an organization supplying goods/services to the company or purchasing its products. In case a relationship with such an organization exists, the same must be disclosed to the Management.

2. Dealings with third parties which include Government officials, suppliers, buyers agents and consultants must always ensure that the integrity and reputation of the Company is not in any way compromised.

3. Directors and employees are not allowed to accept any favours, gifts or kickbacks from any organization dealing with the Company.

4. Directors and employees are not permitted to divulge any confidential information relating to the Company to any unauthorized person. Nor should they, while communicating publicly on matters that involve Company business, presume to speak for the Company unless they are certain that the views that they express are those of the Company and it is the Company's desire that such views be publicly disseminated.

5. All employees share a responsibility for the Company's good public relations particularly at the community level. Their readiness to help with religious, charitable, educational and civic activities is accordingly encouraged provided it does not create an obligation that interferes with their commitment to the Company's best interests.

6. The Company has strong commitment to the health and safety of its employees and preservation of environment and the Company will persevere towards achieving continuous improvement of its HSE performance by reducing potential hazards preventing pollution and improving awareness. Employees are required to operate the Company's facilities and processes keeping this commitment in view.

7. Commitment and team work are key elements to ensure that the Company's work is carried out effectively and efficiently. Also all employees will be equally respected and actions such as sexual harassment and disparaging remarks based on gender, religion, race or ethnicity will be avoided.

Statement of Strategic Objectives 2012 - 2013

Following are the main principles constitute the strategic objectives of Kohinoor Textile Mills Limited:-

1. Effective use of available resources and improved capacity utilization of the Company's production facilities;

2. Modernization of production facilities in order to ensure the most effective production;

3. Effective marketing and innovative concepts;

4. Implementation of effective technical and human resource solutions;

5. Strengthening independence in terms of secure supply of low-cost services and resources, including energy supply, transportation and logistics services;

6. Explore alternative energy resources;

7. Further improvements in corporate code governance through restructuring of assets and optimization of management processes;

8. Personnel development, creating proper environment for professional growth of highly skilled professionals, ensuring safe labour environment, competitive staff remuneration and social benefits in accordance with scope and quality of their work;

9. Compliance with local and international environmental and quality management standards, implementation of technologies allowing to comply with the limitations imposed on pollutant emissions; and

10. Implementation of projects in social and economic development of communities.

NOTICE
of Annual General Meeting

Notice is hereby given that the 44th Annual General Meeting of the members of **KOHINOOR TEXTILE MILLS LIMITED** (the **"Company"**) will be held on **Wednesday, October 31, 2012 at 3:00 PM** at its Registered Office, 42-Lawrence Road, Lahore, to transact the following business:-

1. To receive, consider and adopt the audited accounts of the Company including consolidated financial statements for the year ended June 30, 2012 together with the Directors' and Auditors' Reports thereon.

2. To appoint Auditors for the year ending on June 30, 2013 and fix their remuneration. The Board has recommended, as suggested by the Audit Committee, the appointment of M/s. Riaz Ahmad & Company, Chartered Accountants, the retiring auditors and being eligible offer themselves for re-appointment.

BY ORDER OF THE BOARD

(Muhammad Ashraf)
Company Secretary

Lahore: October 10, 2012

NOTES:

1. Share transfer books of the Company will remain closed from October 24, 2012 to October 31, 2012 (both days inclusive). Physical transfers/CDS Transaction IDs received in order at Share Registrar of the Company i.e. M/s. Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore, upto the close of business on October 23, 2012 will be considered in time for attending of the meeting.

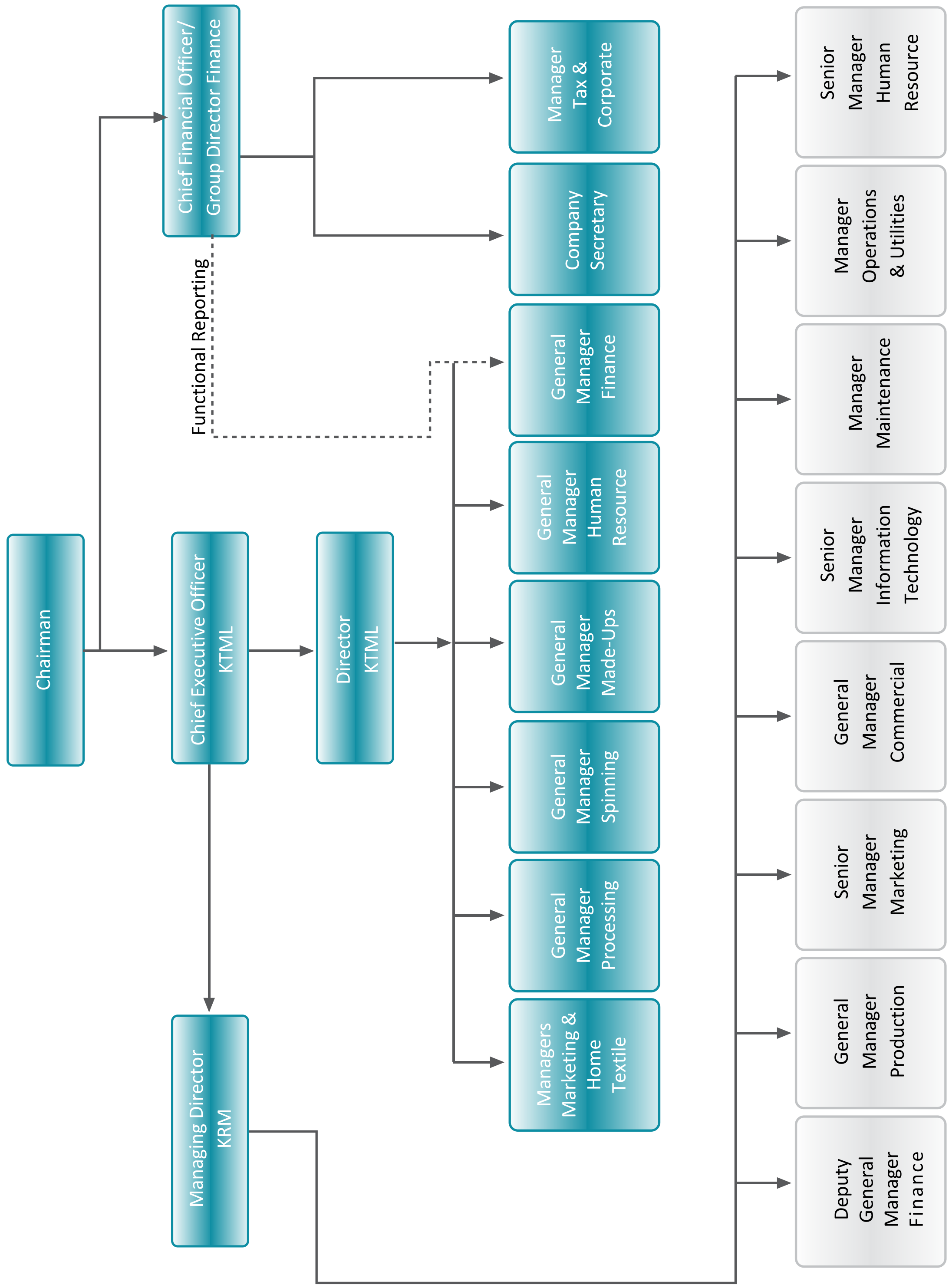
2. A member eligible to attend, speak and vote at this meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her. Proxies in order to be effective must reach the Company's Registered Office not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

3. CDC Shareholders, entitled to attend, speak and vote at this meeting, must bring with them their Computerized National Identity Cards (CNIC) / Passports in original along with Participants' ID Numbers and their Account Numbers to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.

4. Shareholders are requested to immediately notify the change in their addresses, if any, to the Company's Share Registrar.

5. Members possessing physical shares and have not yet submitted photocopies of their CNIC to the Company's Share Registrar, are requested to send the same at the earliest.

Organization Chart of KTML



Directors' Report
to the Shareholders

Review Of Operations
Financial Review
Information Technology
Social Compliance and Human Resource
Quality Management Systems
Safety, Health and Environment
Business Process Re-engineering
Liquidity Management
Future Outlook
Compliance of Code of Corporate Governance
Directors and Board Meetings
Criteria to Evaluate Board Performance

The Directors are pleased to present the 44th annual report along with audited financial statements for the year ended June 30, 2012.

REVIEW OF OPERATIONS

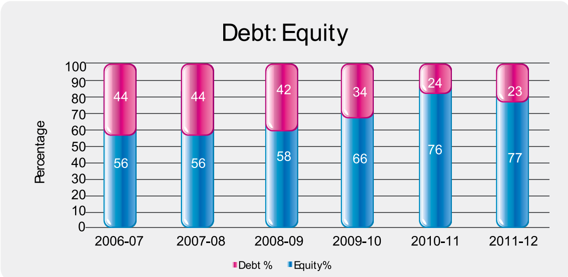
During the year under review, change in the Company's marketing plans – gradual shift from mass merchandisers towards higher value products – has resulted in an increase in gross profits. The decision to move away from long-term fixed-price contracts to fixing prices quarterly, has insulated us from volatility in cotton, yarn and greige prices, while allowing us to take advantage of positive shifts in raw material prices. Working capital constraints have kept the Company from achieving optimal capacity utilization, a situation which will hopefully be corrected in the near future, leading to improved performance. Increased risk averse attitude of the bankers has impacted availability of sufficient working capital funds as the Company pays down its debt.

The Company plans to continue spinning of finer thread count yarns which have historically provided better margins. It is planned to maintain focus on higher-thread count home-textile products and institutional goods which yield better margins and provide some protection from low end competition. We continue efforts to maximize sales in every division by improved capacity utilization.

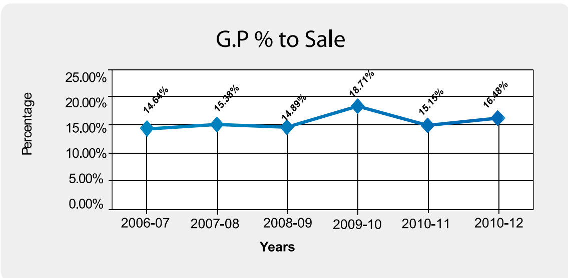
FINANCIAL REVIEW

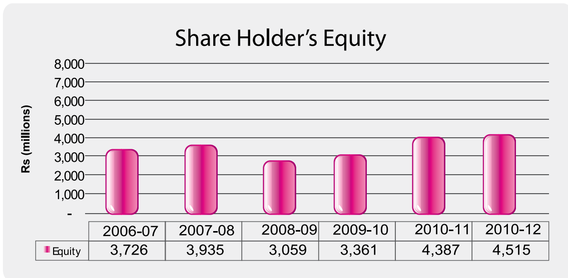
During the year under review, Company's sales decreased by 7.40% to Rs.11,147 million (2011: Rs.12,037 million), while cost of sales reduced by 8.85% to Rs.9,310 million (2011:Rs.10,214 million). This resulted in improved gross profit to Rs.1,837 million (2011:Rs.1,824 million).

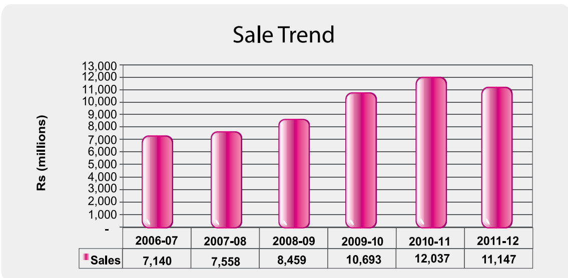
Operating profit for the year under review stood at Rs.1,175 million (2011:Rs.1,726 million). The Company made an after tax profit of Rs.116 million (2011:Rs.488 million) while gross profit increased from the previous period. Earnings per share for the year ended June 30, 2012 were Re.0.47 as against Rs.2.20 for the same period last year.

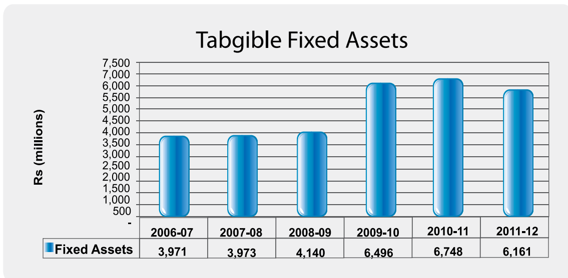


The Directors have passed over dividend payment due to cash flow constraints arising mainly from enhanced working capital requirements of the Company due to higher cost of inputs and insistence by the banks to reduce exposure to the textile sector. The management of the Company remains committed to ensure efficient operations in all divisions to deliver value to the stakeholders.









The Directors recommended as under:

	Rupees in Thousand
Profit before taxation	304,289
Provision for Taxation	(187,860)
Profit after taxation	116,429
Accumulated profit brought forward	335,964
Surplus on revaluation realized on disposal of land	11,672
Accumulated profit carried forward	464,065

The Company is further tightening controls on inventory, especially with regards to cotton and greige fabric stocks. The Company maintains its policy of purchasing and storing only enough raw materials to cover its order book for the short-term future. This policy has allowed the Company to avoid significant. inventory losses experienced by competitors in the recent past and will help to contain the ill effects of volatility in raw material prices.

The Company continues its efforts to achieve debt reduction in order to improve its long-term liquidity position.

INFORMATION TECHNOLOGY

Management has a strong belief to strengthen the platform for information technology and information systems in order to remain competitive and cater to the requirements of the coming era. Management has started project of Oracle financials up gradation along with complete overhaul of its inventory and order management systems with the goal of automation, real-time inventory monitoring and reduction in cost and overheads.

SOCIAL COMPLIANCE AND HUMAN RESOURCE

HUMAN RESOURCE

The Company has a culture of **"Continuous improvement"** and accordingly, in order to develop effective and efficient human capital, the Company steadily promotes various measures including human resource development and health care, so that the employees may work with confidence, vigor and enthusiasm. The Company has embarked on a massive campaign to substantially improve productivity and has already managed to significantly reduce total labor cost through improvements in efficiency and productivity. This is an ongoing exercise through which the Company hopes to build a most productive and effective workforce.

CORPORATE SOCIAL RESPONSIBILITY

The Company acknowledges its responsibility towards society and performs its duty by providing financial assistance to projects for society development by various charitable institutions on consistent basis. The Company has been recognized by the Pakistan Centre for Philanthropy as a leader in social and charitable contributions and strives to be a constructive member of the communities in which it has a presence. Kohinoor Maple Leaf Group has received "5th Corporate Social Responsibility National Excellence Award" on account of its performance in various projects. The Company has contributed in medical social services project and in this regard, has donated a state of the art Cardiac facility to the Gulab Devi Chest Hospital (GDCH) in Lahore by constructing Sayeed Saigol Cardiac Complex at GDCH.

QUALITY MANAGEMENT SYSTEMS


CERTIFICATE OF APPROVAL

This is to certify that the Quality Management System of:

Kohinoor Textile Mills Limited
Rawalpindi Division
Peshawar Road, Rawalpindi
Pakistan

has been approved by Lloyd's Register Quality Assurance to the following Quality Management System Standards:

ISO 9001:2008

The Quality Management System is applicable to:

Design & Manufacture of Yarn made from Cotton & Man Made Fibres. Fabric Conversion through Bleaching, Dyeing, Printing, Finishing and Stitching for Home Furnishings.

Approval Certificate No: MEA4105050

Original Approval: 23rd June 1999
Current Certificate: 03rd July 2011
Certificate Expiry: 30th June 2014

Issued by: Lloyd's Register EMEA - Karachi for and on behalf of Lloyd's Register Quality Assurance Limited


BUREAU VERITAS Certification

Certification
Awarded to

KOHINOOR TEXTILE MILLS LIMITED
PESHAWAR ROAD, RAWALPINDI
PAKISTAN

Bureau Veritas Certification certify that the Management System of the above organisation has been audited and found to be in accordance with the requirements of the management system standard detailed below

STANDARD

SA 8000:2008

SCOPE OF SUPPLY

DESIGN AND MANUFACTURE OF YARN MADE FROM COTTON & MAN-MADE FIBERS.
FABRIC CONVERSION THROUGH BLEACHING, DYEING, PRINTING, FINISHING & STITCHING FOR HOME FURNISHINGS.

The Company continues to enjoy a reputation as a high quality supplier and owes its current business, in large part, to its reputation. Quality control checks occur at all points during the production chain, starting from the delivery of raw material to the factories, and the quality assurance team acts as the customer representative when conducting audits of finished goods before they are handed to customer audit teams for final inspection. It is worth noting that the Company's quality management systems are highly regarded and several customers no longer require the presence of external auditors before delivery of finished goods.

SAFETY, HEALTH AND ENVIRONMENT

The Company continues to meet and exceed the health and safety standards required for SA 8000 certification. Frequent audits are conducted by customers, regulatory agencies, and the Company's own audit teams in order to ensure compliance with these standards and those set by the Company's customers. Recently we have begun a complete re examination and improvement of our fire safety protocols to further ensure the safety of our employees.

SECURITY

The Company maintains its dedication to security, and is fully compliant with the Customs Trade Pact Against Terrorism (CTPAT), providing frequent and regular audits to ensure it remains so. All areas of the Company premises are monitored using video surveillance, as per the requirements of CTPAT. We are also compliant with the standards set by its international customers, many of which exceed those of the CTPAT standard.

BUSINESS PROCESS RE-ENGINEERING

The Company is actively following the concept of Business Process Re - engineering (BPR), to achieve significant improvements in critical, contemporary measures of performance, such as cost, quality, service and speed on consistent basis. In various departments, projects are in process to streamline the existing practices. The Company's processing department has already reaped great benefit in this regard due to collaboration with major multinational chemical suppliers who have cooperated with the production teams to substantially reduce water, chemical and energy usage while maintaining or improving quality, environmental, and technical standards. The Company hopes that further progress in these projects will yield substantial reductions in the costs of energy, labour, and resources such as water. Further, in anticipation of increased scarcity and load shedding of natural gas and electricity, the Company is taking steps to further diversify its energy production capabilities, expanding into steam generation via wood, coal and bagasse.

LIQUIDITY MANAGEMENT

The Company has imposed a strict layer of internal controls on inventory, especially on raw materials, i.e., cotton and greige fabric stock. The Company maintains its policy of purchasing and storing only enough raw materials to cover its orders for the short term future, this policy has allowed the Company to avoid the significant inventory losses experienced by participants in the market in the recent past, and will help to dampen the effects of volatility in raw material prices.

In order to improve its long-term liquidity position, the Company has prioritized the reduction in debt and has reduced its total stock of debt from approximately Rs.8.5 billion to Rs.5.5 billion in last two years through the sale of surplus and non-current assets, internal cash generation and better working capital management.

FUTURE OUTLOOK

After the record, unsustainable prices of raw cotton during the last few years, we are finally seeing them return to realistic, sustainable levels. The severe flooding and subsequent destruction of crops which marred the situation last year was not repeated, resulting in lower and less volatile cotton prices coupled with very high world-ending stocks. It is important to note that there has been an increasing trend in wage structure and energy prices and most markets continue to operate in a recessionary state. To this end, we have developed the following strategy to face the challenges during the upcoming year:

a. Exercise significant caution when purchasing cotton, ensuring that we are purchasing enough cotton only to cover our needs for the short-term future, lowering inventory costs;
b. Exercise our competitive advantage in higher thread count yarns to maximize profits;
c. Focus on production of high quality products for a diverse customer base to maximize our returns on our home-textile division;
d. Continue to focus on increasing productivity, efficiency, cost-reduction and lowering debt in order to mitigate ill effects of high financial costs and volatility in input prices.

We are confident that the Company will readily meet the challenges of the upcoming year.

COMPLIANCE OF THE CODE OF CORPORATE GOVERNANCE

The Board of Directors periodically reviews the Company's strategic direction. Business plans and targets are set by the Chief Executive and reviewed by the Board. The Board is committed to maintain a high standard of corporate governance. The Board has reviewed the Code of Corporate Governance and confirms that:

a) The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
b) Proper books of account of the Company have been maintained;
c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
e) The system of internal control is sound in design and has been effectively implemented and monitored;
f) There are no significant doubts upon the Company's ability to continue as a going concern;
g) Outstanding taxes and other government levies are given in related note(s) to the audited accounts;
h) Key operating and financial data of last six years is annexed.

Value of investment of provident fund trust, based on their un-audited accounts of June 30, 2012 is as under:

	(Rs. in thousand)
Provident fund	154,200

Qualification of CFO and Head of Internal Audit

The Chief Financial Officer and the Head of Internal Audit possess the requisite qualifications and experience as prescribed in the Code of Corporate Governance, 2012.

DIRECTORS AND BOARD MEETINGS

During the year under review, four meetings of the Board of Directors were held and the attendance of Directors was as under:-

Name of Directors	Meetings Attended
Mr. Tariq Sayeed Saigol	4
Mr. Taufique Sayeed Saigol	4
Mr. Sayeed Tariq Saigol	4
Mr. Waleed Tariq Saigol	3
Mr. Kamil Taufique Saigol	1
Mr. Danial Taufique Saigol	2
Mr. Zamiruddin Azar	3
Mr. Arif Ijaz	4
Syed Mohsin Raza Naqvi	4

Leave of absence was granted to the Directors who could not attend the Board meetings due to their pre-occupations. During the year, Mr. Kamil Taufique Saigol resigned as Director on December 29, 2011 and Mr. Danial Taufique Saigol was co-opted as Director on January 01, 2012 in his place.

CRITERIA TO EVALUATE BOARD PERFORMANCE

Following are main criteria:

1. Financial policies reviewed and updated;
2. Capital and operating budgets approved annually;
3. Board receives regular financial reports;
4. Procedure for annual audit;
5. Board approves annual business plan;
6. Board focuses on goals and results;
7. Availability of board's guideline to management;
8. Regular follow up to measure the impact of board's decisions;
9. Assessment to ensure compliance with code of ethics and corporate governance.

AUDIT COMMITTEE

The Board has reconstituted the composition of Audit Committee as under:-

Name	Designation
1. Mr. Zamiruddin Azar	Chairman (Independent Non-Executive Director)
2. Mr. Arif Ijaz	Member (Independent Non-Executive Director)
3. Mr. Sayeed Tariq Saigol	Member (Non Executive Director)
4. Mr. Waleed Tariq Saigol	Member (Executive Director)

A total number of five meetings of the Audit Committee were held during the year and the attendance of Members was as under:-

Sr. #	Name	No. of Meetings attended
1.	Mr. Zamiruddin Azar	4
2.	Mr. Arif Ijaz	5
3.	Mr. Sayeed Tariq Saigol	5
4.	Mr. Waleed Tariq Saigol	4
5.	Mr. Danial Taufique Saigol	2
6.	Mr. Kamil Taufique Saigol	1

Leave of absence was granted to the Members who could not attend the meetings due to their pre-occupations. During the year, Mr. Kamil Taufique Saigol resigned as Member of the Audit Committee on December 29, 2011 and Mr. Danial Taufique Saigol was co-opted as Member of the Audit Committee on January 01, 2012 in his place.

The Main terms of reference of the Audit Committee of the Company include the following:-

a. Determination of appropriate measures to safeguard the Company's assets;
b. Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:

- Major judgmental areas;
- Significant adjustments resulting from the audit;
- The going concern assumption;
- Any changes in accounting policies and practices;
- Compliance with applicable accounting standards;
- Compliance with listing regulations and other statutory and regulatory requirements; and
- Significant related party transactions.

c. Review of preliminary announcements of results prior to publication;
d. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
e. Review of management letter issued by external auditors and management's response thereto;
f. Ensuring coordination between the internal and external auditors of the listed Company;
g. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the listed Company;
h. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
i. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
j. Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
k. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
l. Determination of compliance with relevant statutory requirements;
m. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
n. Consideration of any other issue or matter as may be assigned by the Board of Directors.

Human Resource & Remuneration Committee

In compliance with the revised Code of Corporate Governance, 2012, the Board has constituted a Human Resource & Remuneration (HR & R) Committee as under:-

Name	Designation
Mr. Arif Ijaz	Chairman (Independent Non Executive Director)
Mr. Sayeed Tariq Saigol	Member (Non Executive Director)
Mr. Danial Taufique Saigol	Member (Executive Director)

During the year, no meeting of HR & R Committee was held as the Committee was constituted on May 01, 2012.

The Main terms of reference of HR &R Committee of the Company include the following:-

The Committee shall be responsible to:

i) recommend human resource management policies to the Board;
ii) recommend to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
iii) recommend to the Board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit. This will include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment and;
iv) consider and approve on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

a. The remuneration of executive and non-executive Directors shall not fall within the preview of the HR & R Committee.
b. Recommendations in respect of compensation including performance incentives will ensure that:
    - The Company is able to recruit, motivate and retain persons of high ability, calibre and integrity.
    - The packages are consistent with what is normal in industry and / or specific job wise, as determined through surveys conducted.
    - Incentives where applicable are based on criteria which have been carefully examined, discussed and authorized.
c. Selection recommendation should ensure that the Company has a formal selection procedure which provides for;
    - A description of the position that requires to be filled with a profile of the ideal candidate;
    - Selection Boards for various levels of recruitment;
d. Performance evaluation should:
    - Be based on procedures formally specified and which override individual likes and dislikes;
    - Provide for a discussion of the Annual Performance Report with each manager concerned.
e. The Committee will also:
    - Review and approve compensation payable to senior management for any loss or on termination of service to ensure that it is consistent with contractual terms and is otherwise fair.
    - Review and advise on the training, development and succession planning for the senior management with reference to the Board's corporate goals and objectives.
    - Devise a procedure for the approval of HR related policies of the Company.
    - Review from time to time as appropriate these Terms of Reference and the effectiveness of the Committee and recommend to the Board any necessary changes.

Trade of Company's Shares

Board has reviewed the threshold for disclosure of interest by executives holding of Company's shares which includes CFO, Head of Internal Audit and Company Secretary. However, during the financial year, none of the Directors, CFO, Head of Internal Audit and Company Secretary (including their spouses and minor children) traded in the shares of the Company.

Pattern of Shareholding

The statement of shareholding of the Company in accordance with the Companies Ordinance, 1984 and the Code of Corporate Governance as at June 30, 2012 is annexed.

Auditors

The present auditors of the Company M/s. Riaz Ahmad & Company, Chartered Accountants audited the financial statements of the Company and have issued report to the members. The auditors will retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for reappointment.

The Board has recommended the appointment of M/s. Riaz Ahmad & Company, Chartered Accountants as auditors for the ensuing year, as suggested by the Audit Committee, subject to approval of the members in the forthcoming Annual General Meeting.

Acknowledgement

The Directors are grateful to the Company's members, financial institutions and customers for their cooperation and support. They also appreciate hard work and dedication of all the employees working at various divisions.

For and on behalf of the Board

Lahore
September 26, 2012

Taufique Sayeed Saigol
Chief Executive

Brief Profile of Directors

MR. TARIQ SAYEED SAIGOL (CHAIRMAN / DIRECTOR)

OTHER ENGAGEMENTS
CHAIRMAN / CHIEF EXECUTIVE / DIRECTOR
Kohinoor Maple Leaf Industries Limited
Zimpex (Private) Limited

CHAIRMAN / DIRECTOR
Maple Leaf Cement Factory Limited

Mr. Tariq Sayeed Saigol is the Chairman of Kohinoor Maple Leaf Group (KMLG). He is a member of the reputed Saigol Family who pioneered in textile manufacturing after partition and later ventured into the financial sector, chemicals, synthetic fibres, sugar, edible oil refining, civil engineering, construction, cement and energy.

Mr. Saigol was schooled at Aitchison College, Lahore and graduated from Government College, Lahore following which, he studied Law at University Law College, Lahore.

He started his career in 1968 at Kohinoor's Chemical Complex at Kala Shah Kaku. Upon trifurcation of the Group in 1976, he became Chief Executive of Kohinoor Textile Mills Limited, Rawalpindi. Since 1984, he has been Chairman of Kohinoor Maple Leaf Group which has interests in textiles, energy and cement manufacturing.

He has been Chairman All Pakistan Textile Mills Association in 1992-94, President of Lahore Chamber of Commerce and Industry for 1995-97 and Chairman, All Pakistan Cement Manufacturers Association from 2003-2006.

Mr. Saigol has been a member of the Federal Export Promotion Board and Central Board of State Bank of Pakistan. He has also served on several Government Commissions and Committees on a number of subjects, including Export Promotion, reorganization of WAPDA and EPB, Right Sizing of State owned Corporations and Resource Mobilization. He is the author of Textile Vision 2005 which was adopted by the Government in 2000 and its critique prepared in 2006. He joined the Central Board of State Bank of Pakistan for a second term in 2007 and was a member of the Prime Minister's Economic Advisory Council established in 2008.

He takes keen interest in the development of education in Pakistan. He has been a member of the Board of Governors of Lahore University of Management Sciences, Founding Chairman of the Board of Governors of Chandbagh School, Founder Trustee of Textile University of Pakistan, member of the Syndicate of University of Health Sciences and presently serves on the Board of Governors of Aitchison College and State Bank of Pakistan. He is conferred with Sitara-e-Isaar by President of Pakistan in 2006.

He is a keen golfer and has represented Pakistan at Golf in Sri Lanka and Pakistan in 1967.

MR. TAUFIQUE SAYEED SAIGOL (CHIEF EXECUTIVE / DIRECTOR)

OTHER ENGAGEMENTS
DIRECTOR
Maple Leaf Cement Factory Limited
Kohinoor Maple Leaf Industries Limited
Zimpex (Private) Limited

Mr. Taufique Sayeed Saigol is Chief Executive of Kohinoor Textile Mills Limited and director in all KMLG companies. He is a leading and experienced industrialist of Pakistan. He graduated as an Industrial Engineer from Cornell University, USA in 1974. He is widely traveled and his special forte is in the export business.

He is a business man of impeccable credibility and vision and has substantial experience of working in different environments.

MR. SAYEED TARIQ SAIGOL (DIRECTOR)

OTHER ENGAGEMENTS
CHIEF EXECUTIVE / DIRECTOR
Maple Leaf Cement Factory Limited

DIRECTOR
Kohinoor Maple Leaf Industries Limited

Mr. Sayeed Tariq Saigol is the Chief Executive of Maple Leaf Cement. He graduated from McGill University with a degree in management. Mr. Sayeed Saigol also has several years of work experience in the textile industry. Prior to joining Maple Leaf Cement he was involved in setting up and managing an apparel dyeing company. He is a member of the Board of Governors of the Lahore University of Management Sciences.

MR. WALEED TARIQ SAIGOL (DIRECTOR)

OTHER ENGAGEMENTS
DIRECTOR
Maple Leaf Cement Factory Limited

Mr. Waleed Tariq Saigol is the Managing Director of Kohinoor Textile Mills Limited (Raiwind Division). He holds a bachelor's degree in Political Science from the London.

School of Economics & Political Science. Apart from his responsibilities in textiles he is also involved in identifying and developing new areas of business for KMLG. He is a keen golfer and has won several tournaments in Pakistan.

MR. DANIAL TAUFIQUE SAIGOL (DIRECTOR)

OTHER ENGAGEMENTS
DIRECTOR
Maple Leaf Cement Factory Limited

Mr. Danial Taufique Saigol is the younger son of Mr. Taufique Sayeed Saigol, CEO of KTML. Danial began his career with KMLG in January 2012 as a paid Director. He holds a bachelor's degree in Finance from McGill University, Montreal, Canada. He is currently posted at Kohinoor Textile Mills, Rawalpindi.

MR. ZAMIRUDDIN AZAR (DIRECTOR)

OTHER ENGAGEMENTS
DIRECTOR
Maple Leaf Cement Factory Limited

Mr. Zamiruddin Azar has been actively involved in various corporate activities of the Kohinoor Maple Leaf Group. As a non-executive director, he heads the Internal Audit Committees of the KMLG companies. With 35 years of experience at Glaxo Pakistan, Mr. Azar provides invaluable insight into project management, human resource development and administration.

MR. ARIF IJAZ (DIRECTOR)

Mr. Arif Ijaz has done his bachelor in Electrical Engineering from University of Engineering and Technology (UET) Lahore, Pakistan and MBA from Iran Center for Management Studies. He has over 20 years of experience in the development and growth of business strategy. He has also served as the CEO of Adamjee Insurance, CEO of KSB Pumps, Director of Pakistan Steel Mills, National Refinery, Lahore Stock Exchange, HUBCO, and Lahore University of Management Sciences (LUMS).

He is serving as MBA Faculty member at UET Lahore and former visiting faculty member of LUMS.

SYED MOHSIN RAZA NAQVI (GROUP DIRECTOR FINANCE / CHIEF FINANCIAL OFFICER)

OTHER ENGAGEMENTS
DIRECTOR / CHIEF ACCOUNTANT/ CFO
Maple Leaf Cement Factory Limited

Mr. Mohsin Naqvi, Fellow member of Institute of Chartered Accountants of Pakistan (FCA), with over 23 years of Financial Management experience.

Areas of expertise include: financial projections, forecasting- short term and long-term cash flows, business strategy development, acquisitions and evaluations of business units, establishing company's reporting structure, implementing budgetary control procedures, implementing financial software, organizing finance and treasury functions of the Company.

He is former board member of Kohinoor Mills Limited, Saic Velcorex, France and Al-Wazan Group, Kuwait and Trust Investment Bank Limited.

He has experience of working in several countries which include Saudi Arabia, Kuwait, France, Philippines, Morocco, Jordan and Pakistan.

Calendar Of Notable Events

JULY 2011 - JUNE 2012

Year 2011

JULY 03	Achieved ISO 9001:2008
JULY 16	2nd edition of Magazine "Hum Kohinoor"
AUGUST 14	Company has arranged a celebration for Independence Day by inviting employees and residents of mills colony
AUGUST 18	Iftar Party was arranged for all the company employees
SEPTEMBER 28	Issuance of Annual Report 2011
OCT 12 NOV 04	Company arranged Cricket Tournament in which participation was made by management staff & workers of all departments
OCTOBER 26	Issuance of Accounts for the 1st QTR ended 30 Sep 2011
OCTOBER 31	43rd Annual General Meeting of the members of Kohinoor Textile Mills Limited ("Company") held at 3:00 PM at its registered office, located at 42-Lawerence Road, Lahore
DECEMBER 23	Obtained Certificate of Compliance with the Global Organic Textile Standard (GOTS)

Year 2012

JANUARY 18	Company arranged 2nd cricket tournament in which full participation was made by senior managers and executives of all departments
FEBRUARY 23	Issuance of accounts for the Half year ended 31 December 2011
APRIL 24	Hajj Balloting ceremony held where 2 lucky employees and 1 reserved employee were selected to perform the Hajj
APRIL 25	Issuance of accounts for the 3rd quarter ended 31 March 2012

Board Committees

PROJECT MANAGEMENT COMMITTEE

Project Management Committee (PMC), of senior representatives has been formed to monitor the progress of agreed goals and objectives of the company on consistent basis and steer the organization in right direction in order to achieve the stated vision and mission of the organization.

MEMBERS

Managing Director	
Head of Department	- Information Technology
Head of Department	- Production
Head of Department	- Marketing
Head of Department	- Human Resource
Head of Department	- Commercial
Head of Department	- Finance
Head of Department	- Engineering

TERMS OF REFERENCE

- Possible review each of the project areas - activities or sub projects
- Developing a framework for integrating planning
- Tools for achieving sustainable coastal economies and environments
- Handling financial issues, budget monitoring and modifications
- Develop standards & follow-up project progress

NO. OF MEETINGS HELD: 12

BUSINESS PROCESS RE-ENGINEERING COMMITTEE

Business Process Re - engineering (BPR) team has been formed to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed on consistent basis. Information technology and information systems are the main areas of interest where management is rigorously investing considerable resources to determine and then opt what feasible technological options are available that best meets the goals of the organization in order to remain competitive and provide the maximum return to stakeholders.

MEMBERS

Managing Director	
Head of Department	– Information Technology
Head of Department	– Production
Head of Department	– Marketing
Head of Department	– Human Resource
Head of Department	– Engineering
Head of Department	– Finance
Deputy Manager	– Information Technology

TERMS OF REFERENCE

- Our BPR team implies specific business objectives such as cost reduction, time reduction, output quality improvement.
- We focus on the most important processes that reflect our business vision.
- Understand and measure the existing process to avoid repeating of old mistakes and to provide a baseline for future improvements.
- Design and build the prototype of new processes and ensure quick delivery of results and involvement and satisfaction of customers.

NO. OF MEETINGS HELD: 26

ENERGY MANAGEMENT COMMITTEE

Management has strong commitment towards securing the future of company, to remain competitive and provide the maximum return to stakeholders. Efficient use of energy cannot be compromised therefore; Energy Management Committee (EMC) has been formed to suggest the cost cutting opportunities for the sake of improvement in performance through wise energy use in all the departments of the company.

MEMBERS	
Managing Director	
Head of Department	- Engineering
Head of Department	- Production
Head of Department	- Finance
Head of Department	- Operations & utilities

TERMS OF REFERENCE

- Our team is committed for annual energy cost reductions from continuous improvements.
- To minimize environmental impacts, it incorporates energy efficiency, water conservation, waste minimization, pollution prevention, resource efficient materials and indoor air quality in all phases of a building's life.
- EMC design plans that help us meet our climate protection commitments.
- The appointment of a full time energy management coordinator ensures the plan proceeds.
- Responsible for energy procurement, monitoring and targeting energy savings, maintaining program of energy saving measures, raising energy awareness and corporate wide energy monitoring and reporting.

NO. OF MEETINGS HELD: 08

TOTAL QUALITY MANAGEMENT COMMITTEE

Total Quality Management (TQM) committee is formed to improve quality at every level in the organization. TQM is an organization wide program aimed to ensure standardization and continual improvement in all its products, services, processes & procedures. This program lays down the Quality Management standards for all the processes & procedures in the organization and is equipping the existing human resources to improve their innate abilities in order to achieve the desired level of performance through synergistic activities.

Members	
Managing Director	
Head of Department	– Information Technology
Head of Department	– Production
Head of Department	– Marketing
Head of Department	– Human Resource
Head of Department	– Commercial
Head of Department	– Finance
Head of Department	– Engineering
Manager	– Quality Assurance

TERMS OF REFERENCE

- Standardization of processes and operations within every function of the company.
- Introduction of Performance Measurement System by developing Key Performance Indicators and continuous compilation of their associated data, analysis and reporting to concerned stakeholders, so that performance of every key function and process is monitored, controlled, and improved.
- Reduction and elimination of wastages from different processes.
- Improvement in organization wide abilities, procedures and plans.
- Training of employees on basic, medium and advanced problem solving and statistical tools in order to improve their analytical abilities.
- Creation of various forums within an organization where Quality improvement initiatives are formally institutionalized, e.g. Kaizen, Quality Circles, and functional / Cross Functional Teams.

NO. OF MEETINGS HELD: 16

CEO PERFORMANCE REVIEW

The performance of the CEO is regularly evaluated by the Board of Directors. The performance evaluation is based on the criteria defined by the Board of Directors which includes various financial and non financial key performance indicators. At the start of the year, CEO presents his key performance indicators (KPIs) for the upcoming year to the Board of Directors. The Board periodically evaluates the actual performance against those KPIs during the year and discuss the future course of action to attain the Company's stated goals. The CEO also appraises to the Board regarding an assessment of senior management and their potential to succeed the objectives of the Company.

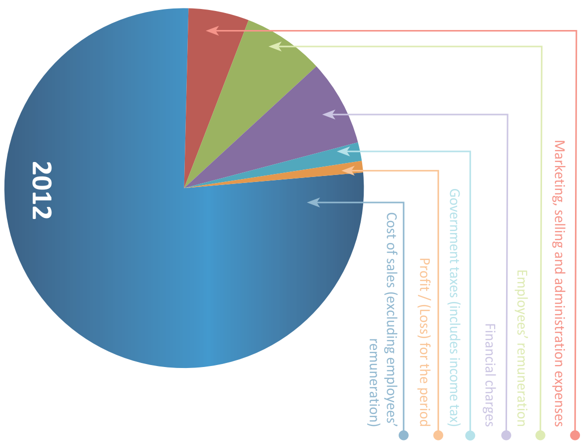
Key Operating And Financial Data

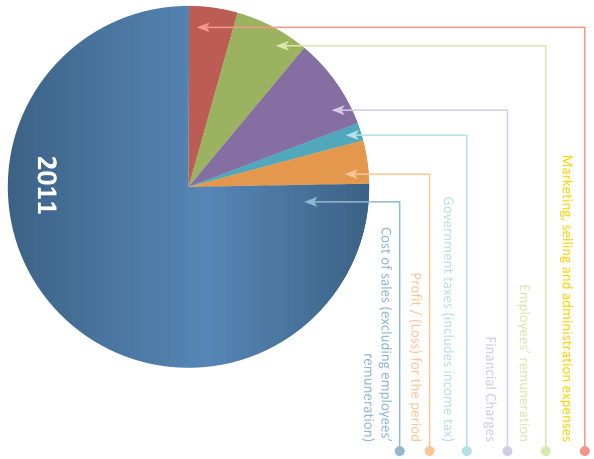
Six Years Summary

	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007
Net sale (Rs. 000)	11,146,698	12,037,253	10,693,338	8,458,899	7,558,322	7,140,167
Profitability(Rs.000)						
Gross Profit	1,836,649	1,823,548	2,000,809	1,259,906	1,162,700	1,045,526
Operating profit	1,175,029	1,726,084	1,449,216	723,554	1,013,140	575,658
Profit / (Loss) before tax	304,289	688,790	376,448	(536,676)	130,805	(28,293)
Provision for income tax	187,860	200,939	98,587	(96,865)	134,325	11,529
Profit / (Loss) after tax	116,429	487,851	277,861	(439,811)	(3,520)	(39,822)
Financial Position (Rs.000)						
Tangible fixed assets-net	6,161,381	6,747,691	6,496,299	4,140,233	3,972,540	3,971,021
Intangible assets	6,284	9,563	-	-	-	-
Investment & Other assets	5,028,081	5,006,352	4,004,892	4,003,422	3,998,629	3,661,682
	11,195,746	11,763,606	10,501,191	8,143,655	7,971,169	7,632,703
Current assets	4,002,184	4,539,059	6,556,108	5,131,884	5,757,221	4,547,065
Current liabilities	6,329,557	6,806,838	8,169,138	6,762,527	5,477,572	4,231,049
Net working capital	(2,327,373)	(2,267,779)	(1,613,030)	(1,630,643)	279,649	316,016
Capital employed	8,868,373	9,495,827	8,888,161	6,513,012	8,250,818	7,948,719
Less: Redeemable Capital, long term loan & other liabilities	679,811	1,423,694	1,853,068	2,190,079	3,052,128	2,959,093
Less: Surplus on revaluation of property	3,673,825	3,685,497	3,673,825	1,263,592	1,263,592	1,263,592
	4,514,737	4,386,636	3,361,268	3,059,341	3,935,098	3,726,034
Share holders Equity						
Represented By:						
Share capital	2,455,262	2,455,262	1,455,262	1,455,262	1,455,262	1,455,262
Reserves & un-app. Profit	2,059,475	1,931,374	1,906,006	1,604,079	2,479,836	2,270,772
	4,514,737	4,386,636	3,361,268	3,059,341	3,935,098	3,726,034
Ratios:						
Gross Profit to sales (%age)	16.48	15.15	18.71	14.89	15.38	14.64
Net Profit to sales (%age)	1.04	4.05	2.60	(5.20)	(0.05)	(0.56)
Profit margin	0.03	0.06	0.03	(0.05)	(0.00)	(0.01)
EBITDA margin to sales (%age)	13.69	17.31	17.03	12.92	18.22	12.65
Profit before tax ratio	2.73	5.72	3.52	(6.34)	1.73	(0.40)
Cost / Revenue ratio (%age)	83.52	84.85	81.29	85.11	84.62	85.36
Debt : equity ratio	23 : 77	24 : 76	34 : 66	42 : 58	44 : 56	44 : 56
Current ratio	0.63	0.67	0.80	0.76	1.05	1.07
Acid test ratio	0.34	0.37	0.47	0.45	0.69	0.59
Cash to Current Liabilities	0.06	0.06	0.01	0.01	0.01	0.02
Breakup value per share (without revaluation surplus)	18.39	17.87	23.10	21.02	27.04	25.60
Breakup value per share (with revaluation surplus)	33.35	32.88	48.34	29.71	35.72	34.29
Earning per share	0.47	2.20	1.91	(3.02)	(0.02)	(0.32)
Market value per share at the end of the year	4.17	3.95	5.62	4.42	13.87	26.75
Share Price - High during the year	5.63	5.93	10.19	14.50	29.00	30.50
Share Price - Low during the year	2.28	3.95	4.30	3.20	13.33	15.70
Average collection period	27.74	30.88	40.60	51.58	58.18	49.83
Inventory turn over	5.84	5.04	4.17	4.17	3.73	3.62
Average age of inventory	62.50	72.42	87.53	87.53	98.09	100.70
Return on Equity	0.03	0.11	0.08	(0.14)	(0.00)	(0.01)
Return on Capital employed	0.01	0.05	0.03	(0.07)	(0.00)	(0.01)
Price to Book ratio	4.17:18.39	3.95:17.87	5.62:23.10	4.42:21.02	13.87:27.04	26.75:25.60
Dividend Yield ratio	-	-	-	-	-	-
Dividend Payout ratio	-	-	-	-	-	-
Cash Dividend per share	-	-	-	-	-	-
Stock Dividend per share	-	-	-	-	-	-
Earning assets to total assets ratio (% age)	73.67	72.16	61.56	61.34	58.06	62.67
Summary of Cash flows						
Net cash flow from operating activities	844,892	1,727,143	(403,780)	106,116	(51)	(215,658)
Net cash flow from investing activities	701,624	70,772	(310,582)	(644,726)	(776,196)	(1,155,933)
Net cash flow from financing activities	(1,582,009)	(1,455,770)	712,916	543,520	787,903	998,512
Net change in cash and cash equivalents	(35,493)	342,145	(1,446)	4,910	11,656	(373,079)
Quantitative Data						
Yarn (Kgs "000") :						
Production (cont. into 20s)						
KTM Division	24,998	23,547	35,211	35,298	36,605	33,388
KGM Division	24,441	25,989	31,295	26,318	28,899	26,028
	49,439	49,536	66,506	61,616	65,504	59,416
Sales / Tran.for wvg.(actual count)						
KTM Division	5,933	7,600	7,202	6,042	6,790	6,788
KGM Division	3,365	3,449	4,104	2,987	4,265	3,862
	9,298	11,049	11,306	9,029	11,055	10,650
Cloth (Linear meters "000"):						
Processing (Rawalpindi Division)						
Production	39,014	34,653	34,653	30,626	22,988	27,358
Sales	36,319	34,065	34,065	28,783	23,581	26,768
Weaving (Raiwind Division)						
Production	22,840	20,667	21,489	22,727	21,986	20,806
Sales	23,877	19,717	21,691	23,316	22,220	21,094

Distribution of Wealth

	2012		2011		2010		2009		2008		2007	
	Rs " 000 "	%age	Rs " 000 "	%age	Rs " 000 "	%age	Rs " 000 "	%age	Rs " 000 "	%age	Rs " 000 "	%age
Wealth Generated												
Net sales	11,146,698	99.40%	12,037,253	95.28%	10,693,338	99.27%	8,458,899	98.53%	7,558,322	95.05%	7,140,167	99.30%
Other operating income	67,273	0.60%	595,770	4.72%	78,651	0.73%	126,551	1.47%	393,980	4.95%	50,684	0.70%
	11,213,971	100.00%	12,633,023	100.00%	10,771,989	100.00%	8,585,450	100.00%	7,952,302	100.00%	7,190,851	100.00%
Distribution of Wealth												
Cost of sales (excluding employees' remuneration)	8,636,210	76.78%	9,514,022	75.31%	7,952,404	73.82%	6,508,657	75.81%	5,876,612	73.90%	5,626,629	78.25%
Marketing, selling and administration expenses	612,882	5.45%	546,646	4.33%	497,243	4.62%	546,013	6.36%	446,555	5.62%	447,099	6.22%
Employees' remuneration	823,943	7.33%	846,271	6.70%	873,126	8.11%	807,226	9.40%	615,995	7.75%	541,465	7.53%
Financial charges	870,740	7.74%	1,037,294	8.21%	1,072,768	9.96%	1,260,230	14.68%	882,335	11.10%	603,951	8.40%
Government taxes (includes income tax)	187,860	1.67%	200,939	1.59%	98,587	0.92%	(96,865)	-1.13%	134,325	1.69%	11,529	0.16%
Profit / (Loss) for the period	116,429	1.04%	487,851	3.86%	277,861	2.58%	(439,811)	-5.12%	(3,520)	-0.04%	(39,822)	-0.55%
	11,248,064	100.00%	12,633,023	100.00%	10,771,989	100.00%	8,585,450	100.00%	7,952,302	100.00%	7,190,851	100.00%





Definitions & Glossary of Accounting Terms

Gross profit ratio

The relationship of the gross profit made for a specified period and the sales or turnover achieved during that period.

Net profit ratio

Net profit ratio is the ratio of net profit (after taxes) to net sales.

Current Ratio:

A Company's current assets divided by its current liabilities. This ratio gives you a sense of a Company's ability to meet short-term liabilities, and is a measure of financial strength in the short term. A ratio of 1 implies adequate current assets to cover current liabilities: the higher above 1, the better.

Debt-Equity Ratio:

The ratio of a Company's liabilities to its equity. The higher the level of debt, the more important it is for a Company to have positive earnings and steady cash flow. For comparative purposes, debt-equity ratio is most useful for companies within the same industry.

Earnings Per Share (EPS) :

The portion of a Company's profit allocated to each outstanding share of the Company. Earnings per share serves as an indicator of a company's profitability.

Profit Margin:

Determined by dividing net profit by net sales during a time period. Net profit margin is a measure of efficiency and the higher the margin, the better. Trends in margin can be attributed to rising/falling production costs or rising/falling price of the goods sold.

Return On Equity (ROE):

A percentage that indicates how well common stockholders' invested money is being used. The percentage is the result of dividing net earnings by common stockholders' equity. The ROE is used for measuring growth and profitability. You can compare a company's ROE to the ROE of its industry to determine how a Company is doing compared to its competition.

Comments on Ratios' Analysis

1) Most of the ratios have shown a positive trend during the current financial year as Company has earned a gross profit of Rs. 1,837 million as compared to Rs. 1,824 million during the same period in comparative financial year. It is mainly due to change in Company's marketing plan which resulted in increase in gross profit.

2) Cost to revenue ratio shows decrease of 1.33% as compared to preceding year which is due to processing of orders having better margins, procurement of raw materials & accessories at competitive rates and increased production efficiency. Cost of sales, distribution cost and administrative expenses have decreased by Rupees 904 million, 23 million and 8 million respectively from the comparative year due to effective management and utilization of resources.

3) Finance cost has decreased by Rupees 167 million as compared to preceding year due to repayment of loans during the year.

4 Operating profit shows decrease in profit as compared to previous year amounting to Rs. 551 million. The decrease in operating profit is mainly due to the effect of profit on sale of investment by the Company which was included in other operating income in the last year.

5) Proportion of equity in total capital employed (equity and liabilities) has increased by 1 % over the preceding financial year due to profit for the year and payment of long term loans and short term borrowings by the Company during the year.

6) Break up value of shares has increased to Rs. 18.39 from Rs. 17.87 during the year due to profit of the Company for the year ended 30 June 2012.

Horizontal Analysis of Financial Statements

	2012	2011	2010	2009	2008	2007	% change w.r.t 2006	% change w.r.t 2010	% change w.r.t 2009	% change w.r.t 2008	% change w.r.t 2007
	--------------------Rupees in thousand--------------------										
Balance Sheet											
Total equity	4,514,737	4,386,636	3,361,268	3,059,341	3,935,098	3,726,034	2.92	34.32	47.57	14.73	21.17
Total surplus on revaluation of property	3,673,825	3,685,497	3,673,825	1,263,592	1,263,592	1,263,592	(0.32)	-	190.74	190.74	190.74
Total non-current liabilities	679,811	1,423,694	1,853,068	2,190,079	3,052,128	2,959,093	(52.25)	(63.31)	(68.96)	(77.73)	(77.03)
Total current liabilities	6,329,557	6,806,838	8,169,138	6,762,527	5,477,572	4,231,049	(7.01)	(22.52)	(6.40)	15.55	49.60
Total equity and liabilities	15,197,930	16,302,665	17,057,299	13,275,539	13,728,390	12,179,768	(6.78)	(10.90)	14.48	10.70	24.78
Total non-current assets	11,195,746	11,763,606	10,501,191	8,143,655	7,971,169	7,632,703	(4.83)	6.61	37.48	40.45	46.68
Total current assets	4,002,184	4,539,059	6,556,108	5,131,884	5,757,221	4,547,065	(11.83)	(38.95)	(22.01)	(30.48)	(11.98)
Total assets	15,197,930	16,302,665	17,057,299	13,275,539	13,728,390	12,179,768	(6.78)	(10.90)	14.48	10.70	24.78
Profit and Loss Account											
Net sales	11,146,698	12,037,253	10,693,338	8,458,899	7,558,322	7,140,167	(7.40)	4.24	31.77	47.48	56.11
Cost of sales	9,310,049	10,213,705	8,692,529	7,198,993	6,395,622	6,094,641	(8.85)	7.10	29.32	45.57	52.76
Gross profit	1,836,649	1,823,548	2,000,809	1,259,906	1,162,700	1,045,526	0.72	(8.20)	45.78	57.96	75.67
Selling and distribution expenses	402,526	425,063	397,818	464,848	381,161	372,793	(5.30)	1.18	(13.41)	5.61	7.98
Administrative expenses	210,356	218,739	195,103	175,965	149,542	135,347	(3.83)	7.82	19.54	40.67	55.42
Other operating expenses	116,011	49,432	37,323	22,090	22,158	12,412	134.69	210.83	425.17	423.56	834.67
Other operating income	67,273	595,770	78,651	126,551	403,301	50,684	(88.71)	(14.47)	(46.84)	(83.32)	32.73
Profit from operations	1,175,029	1,726,084	1,449,216	723,554	1,013,140	575,658	(31.93)	(18.92)	62.40	15.98	104.12
Finance cost	870,740	1,037,294	1,072,768	1,260,230	882,335	603,951	(16.06)	(18.83)	(30.91)	(1.31)	44.17
Profit/ (Loss) before taxation	304,289	688,790	376,448	(536,676)	130,805	(28,293)	(55.82)	(19.17)	(156.70)	132.63	(1,175.49)
Provision for taxation	187,860	200,939	98,587	(96,865)	134,325	11,529	(6.51)	90.55	(293.94)	39.85	1,529.46
Profit / (Loss) after taxation	116,429	487,851	277,861	(439,811)	(3,520)	(39,822)	(76.13)	(58.10)	(126.47)	(3,407.64)	(392.37)

Vertical Analysis of Financial Statements

	2012	%	2011	%	2010	%	2009	%	2008	%	2007	%
	Rupees in thousand											
Balance Sheet												
Total equity	4,514,737	29.71	4,386,636	26.91	3,361,268	19.71	3,059,341	23.04	3,935,098	28.66	3,726,034	30.59
Total surplus on revaluation of property	3,673,825	24.17	3,685,497	22.61	3,673,825	21.54	1,263,592	9.52	1,263,592	9.20	1,263,592	10.37
Total non-current liabilities	679,811	4.47	1,423,694	8.73	1,853,068	10.86	2,190,079	16.50	3,052,128	22.23	2,959,093	24.30
Total current liabilities	6,329,557	41.65	6,806,838	41.75	8,169,138	47.89	6,762,527	50.94	5,477,572	39.90	4,231,049	34.74
Total equity and liabilities	15,197,930	100.00	16,302,665	100.00	17,057,299	100.00	13,275,539	100.00	13,728,390	100.00	12,179,768	100.00
Total non-current assets	11,195,746	73.67	11,763,606	72.16	10,501,191	61.56	8,143,655	61.34	7,971,169	58.06	7,632,703	62.67
Total current assets	4,002,184	26.33	4,539,059	27.84	6,556,108	38.44	5,131,884	38.66	5,757,221	41.94	4,547,065	37.33
Total assets	15,197,930	100.00	16,302,665	100.00	17,057,299	100.00	13,275,539	100.00	13,728,390	100.00	12,179,768	100.00
Profit and Loss Account												
Net sales	11,146,698	100.00	12,037,253	100.00	10,693,338	100.00	8,458,899	100.00	7,558,322	100.00	7,140,167	100.00
Cost of sales	9,310,049	83.52	10,213,705	84.85	8,692,529	81.29	7,198,993	85.11	6,395,622	84.62	6,094,641	85.36
Gross profit	1,836,649	16.48	1,823,548	15.15	2,000,809	18.71	1,259,906	14.89	1,162,700	15.38	1,045,526	14.64
Selling and distribution expenses	402,526	3.61	425,063	3.53	397,818	3.72	464,848	5.50	381,161	5.04	372,793	5.22
Administrative expenses	210,356	1.89	218,739	1.82	195,103	1.82	175,965	2.08	149,542	1.98	135,347	1.90
Other operating expenses	116,011	1.04	49,432	0.41	37,323	0.35	22,090	0.26	22,158	0.29	12,412	0.17
Other operating income	67,273	0.60	595,770	4.95	78,651	0.74	126,551	1.50	403,301	5.34	50,684	0.71
Profit from operations	1,175,029	10.54	1,726,084	14.34	1,449,216	13.55	723,554	8.55	1,013,140	13.40	575,658	8.06
Finance cost	870,740	7.81	1,037,294	8.62	1,072,768	10.03	1,260,230	14.90	882,335	11.67	603,951	8.46
Profit/ (Loss) before taxation	304,289	2.73	688,790	5.72	376,448	3.52	(536,676)	(6.34)	130,805	1.73	(28,293)	(0.40)
Provision for taxation	187,860	1.69	200,939	1.67	98,587	0.92	(96,865)	(1.15)	134,325	1.78	11,529	0.16
Profit / (Loss) after taxation	116,429	1.04	487,851	4.05	277,861	2.60	(439,811)	(5.20)	(3,520)	(0.05)	(39,822)	(0.56)

Statement of Compliance with the Code of Corporate Governance

For The Year Ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of Listing Regulations of Stock Exchanges in Pakistan for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the CCG in the following manner:-

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

Category	Names
Independent Director	Mr. Zamiruddin Azar Mr. Arif Ijaz
Executive Directors	Mr. Taufique Sayeed Saigol Mr. Waleed Tariq Saigol Mr. Danial Taufique Saigol Syed Mohsin Raza Naqvi
Non-Executive Directors	Mr. Tariq Sayeed Saigol Mr. Sayeed Tariq Saigol

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. One casual vacancy occurring in the Board was filled up by the Directors within stipulated time.

5. The Company has prepared a **"Code of Conduct"** and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board had arranged Orientation Course for its Directors during the preceding years to make them aware of their duties and responsibilities. The Directors have also provided declarations that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the listing regulations of the Stock Exchanges.

   Moreover, in compliance with the requirement of CCG, one Director of the Company has obtained Certificate of Director Education from Pakistan Institute of Corporate Governance.

10. The Board has ratified the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

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

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

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

15. The Board has formed an Audit Committee. It comprises four members, of whom three are non-executive directors including the chairman of the committee who is an independent director and one is executive director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed a HR & Remuneration Committee comprising of three members with majority of non-executive directors including the chairman of the committee who is an independent director.

18. The Board has set up an effective internal audit function.

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

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

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

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Lahore: September 26, 2012

(Taufique Sayeed Saigol)
Chief Executive

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **KOHINOOR TEXTILE MILLS LIMITED** ("the Company") for the year ended 30 June 2012, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Riaz Ahmad & Co

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Atif Bin Arshad
Islamabad: September 26, 2012

Financial Statements

for the Year Ended June 30, 2012

KTM

Kohinoor Textile Mills Limited

Auditors' Report to the Members

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

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

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

(a) 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

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 comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Riaz Ahmad & Co

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
ATIF BIN ARSHAD

Date: September 26, 2012

ISLAMABAD

Balance Sheet
As at June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
370,000,000 (2011: 370,000,000) ordinary shares of Rupees 10 each		**3,700,000**	3,700,000
30,000,000 (2011: 30,000,000) preference shares of Rupees 10 each		**300,000**	300,000
		4,000,000	4,000,000
Issued, subscribed and paid up share capital	3	**2,455,262**	2,455,262
Reserves	4	**2,059,475**	1,931,374
Total equity		**4,514,737**	4,386,636
Surplus on revaluation of land and investment properties	5	**3,673,825**	3,685,497
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	6	**519,135**	1,318,710
Liabilities against assets subject to finance lease	7	**20,501**	42,843
Deferred income tax liability	8	**140,175**	62,141
		679,811	1,423,694
CURRENT LIABILITIES			
Trade and other payables	9	**1,161,892**	834,691
Accrued mark-up	10	**185,698**	230,138
Short term borrowings	11	**4,364,111**	5,130,265
Current portion of non-current liabilities	12	**617,856**	611,744
		6,329,557	6,806,838
TOTAL LIABILITIES		**7,009,368**	8,230,532
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		**15,197,930**	16,302,665

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

CHIEF EXECUTIVE OFFICER

	Note	2012	2011
		(Rupees in thousand)	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	14	**6,161,381**	6,747,691
Intangible asset	15	**6,284**	9,563
Investment properties	16	**1,728,886**	1,721,714
Long term investments	17	**3,248,680**	3,248,880
Long term deposits	18	**50,515**	35,758
		11,195,746	11,763,606
CURRENT ASSETS			
Stores, spare parts and loose tools	19	**320,486**	328,393
Stock-in-trade	20	**1,529,949**	1,657,252
Trade debts	21	**986,683**	707,400
Advances	22	**312,406**	241,331
Security deposits and short term prepayments	23	**25,909**	19,045
Accrued Interest		**217**	46
Due from subsidiary companies		**-**	601,144
Other receivables	24	**308,494**	432,943
Short term investments	25	**611**	600
Taxation recoverable		**131,926**	129,909
Cash and bank balances	26	**385,503**	420,996
		4,002,184	4,539,059
TOTAL ASSETS		**15,197,930**	16,302,665

DIRECTOR

Profit and Loss Account
For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
SALES	27	**11,146,698**	12,037,253
COST OF SALES	28	**(9,310,049)**	(10,213,705)
GROSS PROFIT		**1,836,649**	1,823,548
DISTRIBUTION COST	29	**(402,526)**	(425,063)
ADMINISTRATIVE EXPENSES	30	**(210,356)**	(218,739)
OTHER OPERATING EXPENSES	31	**(116,011)**	(49,432)
		(728,893)	(693,234)
		1,107,756	1,130,314
OTHER OPERATING INCOME	32	**67,273**	595,770
PROFIT FROM OPERATIONS		**1,175,029**	1,726,084
FINANCE COST	33	**(870,740)**	(1,037,294)
PROFIT BEFORE TAXATION		**304,289**	688,790
TAXATION	34	**(187,860)**	(200,939)
PROFIT AFTER TAXATION		**116,429**	487,851
EARNINGS PER SHARE - BASIC AND DILUTED (Rupees)	38	**0.47**	2.20

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

Statement of Comprehensive Income
For the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
PROFIT AFTER TAXATION	**116,429**	487,851
OTHER COMPREHENSIVE LOSS		
Reclassification adjustment for gain included in profit and loss	-	(462,483)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**116,429**	25,368

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

Cash Flow Statement
For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	**1,886,680**	2,998,394
Finance cost paid		**(915,180)**	(1,094,698)
Workers' profit participation fund paid		**(8)**	(13,397)
Income tax paid		**(111,843)**	(162,285)
Net increase in long term deposits		**(14,757)**	(871)
Net cash generated from operating activities		**844,892**	1,727,143
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		**(173,308)**	(177,891)
Capital expenditure on intangible asset		**-**	(9,836)
Capital expenditure on investment properties		**(5,539)**	-
Investments made		**-**	(174)
Interest received		**17,429**	1,363
Proceeds from sale of property, plant and equipment		**319,062**	13,132
Proceeds from sale of investments		**543,876**	8,715
Proceeds from disposal of investment in subsidiary company		**29**	-
Proceeds from sale of non current-assets classified as held for sale		**-**	119,200
Advance against purchase of land received back		**-**	100,000
Dividends received		**75**	16,263
Net cash from investing activities		**701,624**	70,772
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**-**	150,000
Repayment of long term financing		**(777,227)**	(595,077)
Repayment of liabilities against assets subject to finance lease		**(38,578)**	(70,523)
Short term borrowings - net		**(766,154)**	(940,170)
Dividend paid		**(50)**	-
Net cash used in financing activities		**(1,582,009)**	(1,455,770)
Net (decrease) / increase in cash and cash equivalents		**(35,493)**	342,145
Cash and cash equivalents at the beginning of the year		**420,996**	78,851
Cash and cash equivalents at the end of the year		**385,503**	420,996

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

Statement of Changes in Equity
For the year ended June 30, 2012

	Share capital	Reserves							Total equity
		Capital reserves			Revenue reserves				
		Share premium	Fair vlue reserve	Sub-total	General reserve	Unappropriated profit	Sub-total	Total reserves	
	(Rupees in thousand)								
Balance as at 30 June 2010	1,455,262	144,919	462,483	607,402	1,450,491	(151,887)	1,298,604	1,906,006	3,361,268
Ordinary shares issued other than through a right issue during the year ended 30 June 2011	1,000,000	-	-	-	-	-	-	-	1,000,000
Profit for the year	-	-	-	-	-	487,851	487,851	487,851	487,851
Other comprehensive loss for the year	-	-	(462,483)	(462,483)	-	-	-	(462,483)	(462,483)
Total comprehensive income for the year	-	-	(462,483)	(462,483)	-	487,851	487,851	25,368	25,368
Balance as at 30 June 2011	2,455,262	144,919	-	144,919	1,450,491	335,964	1,786,455	1,931,374	4,386,636
Surplus on revaluation realised on disposal of land	-	-	-	-	-	11,672	11,672	11,672	11,672
Profit for the year	-	-	-	-	-	116,429	116,429	116,429	116,429
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	116,429	116,429	116,429	116,429
Balance as at 30 June 2012	**2,455,262**	**144,919**	**-**	**144,919**	**1,450,491**	**464,065**	**1,914,556**	**2,059,475**	**4,514,737**

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

1. THE COMPANY AND ITS OPERATIONS

Kohinoor Textile Mills Limited is a public limited company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and listed on all Stock Exchanges in Pakistan. The registered office of the Company is situated at 42-Lawrence Road, Lahore. The principal activity of the Company is manufacturing of yarn and cloth, processing and stitching the cloth and trade of textile products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

a) Statement of Compliance

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

b) Accounting Convention

These financial statements have been prepared under the historical cost convention, except for the certain financial instruments, investment properties and freehold land which are carried at their fair values. These financial statements represent separate financial statements of the Company. The consolidated financial statements of the Group are being issued separately.

c) Critical accounting estimates and judgments

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

Useful lives, patterns of economic benefits and impairments

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

Inventories

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

Future estimation of export sales

Deferred income tax calculation has been based on estimation of future ratio of export and local sale.

Taxation

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

Provisions for doubtful debts

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

Impairment of investment in subsidiary company

In making an estimate of recoverable amount of the Company's investment in subsidiary company, the management considers future cash flows.

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

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

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

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

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

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

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

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

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

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

IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2013). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

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

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

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

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

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

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

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

2.2 Employee benefit

The Company operates an approved funded provident fund scheme covering all permanent employees. Equal monthly contributions are made both by the Company and employees at the rate of 8.33 percent of basic salary and cost of living allowance to the fund. The Company's contributions to the fund are charged to profit and loss account.

2.3 Taxation

Current

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

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 recognised for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

2.4 Provisions

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

2.5 Property, plant, equipment and depreciation

Owned

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition. Freehold land is stated at revalued amount less any identified impairment loss. Capital work-in-progress is stated at cost less any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Leased

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

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

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

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

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the asset over their estimated useful lives at the rates given in Note 14.1. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off. The residual values and useful lives of assets are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

Derecognition

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

2.6 Investment properties

Land and buildings held for capital appreciation or to earn rental income are classified as investment properties. Investment properties are carried at fair value which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The valuation of the properties is carried out with sufficient regularity.

Gain or loss arising from a change in the fair value of investment properties is recognised in the profit and loss account for the year in which it arises.

2.7 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognised at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditure relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

2.8 Investments

Classification of investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

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

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

a) **Investment at fair value through profit or loss**

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

b) **Held-to-maturity**

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

c) **Available-for-sale**

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

Quoted

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

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 "Financial Instruments: Recognition and Measurement".

d) **Investment in subsidiary company**

Investment in subsidiary company is stated at cost less impairment loss, if any, in accordance with the provisions of IAS 27 'Consolidated and Separate Financial Statements'.

2.9 Inventories

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

Stores, spare parts and loose tools

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

Stock-in-trade

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

(i)	For raw materials:	Annual average basis.
(ii)	For work-in-process and finished goods:	Average manufacturing cost including a portion of production overheads.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock / rags are valued at net realizable value.

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

2.10 Trade and other receivables

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

2.11 Borrowings

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

2.12 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognised in profit and loss account.

2.13 Trade and other payables

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

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.15 Share capital

Ordinary shares are classified as share capital.

2.16 Revenue recognition

Revenue from different sources is recognised as under:

a) Revenue from local sales is recognised on dispatch of goods to customers while in case of export sales it is recognised on the date of bill of lading.

b) Dividend on equity investments is recognised when right to receive the dividend is established.

c) Profit on deposits with banks is recognised on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.17 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

2.18 Financial instruments

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

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

2.19 Impairment

a) Financial assets

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

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

2.20 Derivative financial instruments

Derivative that do not qualify for hedge accounting are recognised in the balance sheet at estimated fair value with corresponding effect to profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

2.21 Segment reporting

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

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

The Company has three reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibers), Weaving (Producing different quality of greige fabric using yarn) and Processing and Home Textile (Processing greige fabric for production of printed and dyed fabric and manufacturing of home textile articles).

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

2.22 Dividend and other appropriations

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

2.23 Off setting

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

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2012	2011		2012	2011
(Number of Shares)			(Rupees in thousand)	
1,596,672	1,596,672	Ordinary shares of Rupees 10 each allotted on reorganisation of Kohinoor Industries Limited	**15,967**	15,967
26,156,000	26,156,000	Ordinary shares allotted under scheme of arrangement of merger of Part II of Maple Leaf Electric Company Limited	**261,560**	261,560
26,858,897	26,858,897	Ordinary shares allotted under scheme of arrangement of merger of Kohinoor Raiwind Mills Limited and Kohinoor Gujar Khan Mills Limited	**268,589**	268,589
38,673,628	38,673,628	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**386,736**	386,736
152,241,019	152,241,019	Ordinary shares of Rupees 10 each issued as fully paid in cash	**1,522,410**	1,522,410
245,526,216	245,526,216		**2,455,262**	2,455,262

3.1 Zimpex (Private) Limited which is an associated company held 45,496,057 (2011: 45,496,057) ordinary shares of Rupees 10 each as at 30 June 2012.

4. RESERVES

	Note	2012	2011
		(Rupees in thousand)	
Composition of reserves is as follows:			
Capital			
Share premium	4.1	**144,919**	144,919
Revenue			
General reserve		**1,450,491**	1,450,491
Unappropriated profit		**464,065**	335,964
		1,914,556	1,786,455
		2,059,475	1,931,374

4.1 This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

	Note	2012	2011
		(Rupees in thousand)	
5. SURPLUS ON REVALUATION OF LAND AND INVESTMENT PROPERTIES			
Investment properties		**1,263,592**	1,263,592
Freehold land		**2,410,233**	2,421,905
		3,673,825	3,685,497
6. LONG TERM FINANCING			
From banking companies and other financial institutions - secured			
Long term loans	6.1	**846,817**	1,172,199
Long term musharika	6.2	**254,586**	703,748
		1,101,403	1,875,947
Less: Current portion shown under current liabilities	6.4	**587,062**	564,714
		514,341	1,311,233
Other loans - unsecured			
Kohinoor Sugar Mills Limited (KSML)	6.5	**4,794**	4,794
Kohinoor Industries Limited (KIL)		**-**	2,683
		4,794	7,477
		519,135	1,318,710

LENDER	2012	2011	TOTAL FACILITY	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	..........RUPEES IN THOUSAND........							
6.1 Long term loans								
NIB Bank Limited	88,194	100,000	100,000	3 Months KIBOR + 2%	Thirty two equal monthly installments commenced from July 2011 and ending on February 2014.	Quarterly	Quarterly	First pari passu charge over all present and future current assets of the Company for Rupees 447 million. Exclusive charge on plant and machinery imported under LTF facility for Rupees 400 million and personal guarantees of the sponsor directors.
NIB Bank Limited	101,206	150,006	300,000	7%	Twenty four equal quarterly installments after expiry of grace period of one and a half year commenced from April 2005 and ending on September 2014.	-	Quarterly	First pari passu charge over fixed assets of Raiwind Division and personal guarantees of the sponsor directors.
NIB Bank Limited	41,667	50,000	50,000	3 Months KIBOR + 2%	Thirty two monthly installments commenced from July 2011 and ending on February 2014.	Quarterly	Quarterly	Collateral covering the exposure including charges on both current and fixed assets of the Company and personal guarantees of the sponsor directors.
NIB Bank Limited	-	31,836	76,000	SBP Refinance rate + 2%	Ten equal quarterly installments commenced on April 2008 and ended on July 2011 including grace period of ten months.	-	Quarterly	Exclusive charge on the plant and machinery imported under the LTF facility for Rupees 400 million and personal guarantees of the sponsor directors.
Allied Bank Limited	-	7,232	300,000	7%	Sixteen equal quarterly installments commenced from July 2007 and ended on April 2012 including grace period of one year.	-	Quarterly	First exclusive charge on imported machinery.
Saudi Pak Industrial and Agricultural Investment Company Limited	93,750	125,000	250,000	3 Months KIBOR + 1.7%	Eight equal semi annual installments commenced from December 2008 and ending on June 2013 including grace period of one year .	Quarterly	Quarterly	First pari passu charge by way of hypothecation on all present and future plant and machinery of the Company and by way of mortgage on land measuring 121 Acres, two kanal and one marla, situated at Main Peshawar Road, Rawalpindi with 25% margin.

LENDER	2012	2011	TOTAL FACILITY	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	..........RUPEES IN THOUSAND........							
Syndicated term finance (Note 6.3)								
Bank Al-Falah Limited	296,250	417,500	500,000	3 Months KIBOR + 1.5%	Nineteen equal quarterly installments commenced from October 2009 and ending on April 2014.	Quarterly	Quarterly	First joint pari passu charge on surplus land for Rupees 467 million.
Faysal Bank Limited	193,500	250,500	300,000	3 Months KIBOR + 1.5%	Nineteen equal quarterly installments commenced from October 2009 and ending on April 2014.	Quarterly	Quarterly	First pari passu charge over fixed assets of the Company for Rupees 400 million with 25% margin.
Pak Libya Holding Company Limited	32,250	40,125	50,000	3 Months KIBOR + 1.5%	Nineteen equal quarterly installments commenced from October 2009 and ending on April 2014.	Quarterly	Quarterly	First joint pari passu charge on surplus land for Rupees 66.67 million.
	522,000	708,125	850,000					
Total	**846,817**	**1,172,199**	**1,926,000**					
6.2 Long term musharika (Note 6.3)								
Standard Chartered Bank (Pakistan) Limited	129,085	167,085	200,000	3 Months KIBOR + 1.5%	Nineteen equal quarterly installments commenced from October 2009 and ending on April 2014.	Quarterly	Quarterly	First pari passu charge on land at Rawalpindi Division of Rupees 266.66 million.
Allied Bank Limited	61,001	456,413	568,750	3 Months KIBOR + 1.5%	Nineteen equal quarterly installments commenced from October 2009 and ending on April 2014.	Quarterly	Quarterly	First pari passu charge over movable fixed assets of Rawalpindi Division and surplus piece of land measuring 43 Acres, 7 kanal and 12 marlas, situated at Main Peshawar Road of Rupees 933.33 million.
The Bank of Khyber	64,500	80,250	100,000	3 Months KIBOR + 1.5%	Nineteen equal quarterly installments commenced from October 2009 and ending on April 2014.	Quarterly	Quarterly	First pari passu charge over land measuring 121 Acres, situated at Main Peshawar Road of Rupees 106.666 million.
Total	**254,586**	**703,748**	**868,750**					

6.3 Syndicated term finance facility and musharika facility was arranged by Standard Chartered Bank (Pakistan) Limited as syndicate agent and investment agent.

6.4 Current portion of long term loan and musharika include overdue installments amounting to Rupees 66.154 million (2011: 32.678 million).

6.5 Kohinoor Sugar Mills Limited (KSML)

Liability has been settled after the reporting period through an agreement with KSML.

	Note	2012	2011
		(Rupees in thousand)	

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2012	2011
Future minimum lease payments		**54,165**	101,238
Less: Un-amortized finance charges		**2,870**	11,365
Present value of future minimum lease payments		**51,295**	89,873
Less: Current portion shown under current liabilities	12	**30,794**	47,030
		20,501	42,843

7.1 The future minimum lease payments have been discounted at implicit interest rates which range from 6.30% to 17.40% (2011: from 6.00% to 18.85%) per annum to arrive at their present values. The lease rentals are payable in monthly and quarterly installments. In case of any default, an additional charge at the rate of 0.1 percent per day shall be payable. Taxes, repairs, replacements and insurance costs are to be borne by the Company. The lease agreements carry renewal and purchase option at the end of the lease term. There are no financial restrictions in lease agreements. These are secured by deposit of Rupees 20.874 million (2011: Rupees 22.098 million) included in long term deposits, demand promissory notes, personal guarantees and pledge of sponsors' shares in public limited companies.

7.2 Future minimum lease payments and their present values are regrouped as under:

	30 June 2012		30 June 2011	
	Not later than one year	Later than one year but not later than five years	Not later than one year	Later than one year but not later than five years
	------------------(Rupees in thousand)---------------			
Future minimum lease payments	**33,434**	**20,731**	55,574	45,664
Less: Unamortized finance charge	**2,640**	**230**	8,544	2,821
Present value of future minimum lease payments	**30,794**	**20,501**	47,030	42,843

	2012	2011
	(Rupees in thousand)	

8. DEFERRED INCOME TAX LIABILITY

This comprises of following :

	2012	2011
Deferred tax liability on taxable temporary differences in respect of:		
Accelerated tax depreciation	**402,658**	394,104
Deferred tax asset on deductible temporary differences in respect of:		
Unused tax losses	**(262,483)**	(331,963)
	140,175	62,141

9. TRADE AND OTHER PAYABLES

	Note	2012 (Rupees in thousand)	2011
Creditors		**683,385**	615,087
Accrued liabilities		**163,912**	128,401
Advances from customers		**68,318**	11,089
Workers' profit participation fund	9.1	**40,032**	20,905
Workers' welfare fund		**7,686**	7,686
Payable to subsidiary company	9.2	**131,128**	-
Unclaimed dividend		**2,631**	2,681
Withholding tax payable		**2,400**	4,629
Payable to employees' provident fund trust		**53,001**	36,287
Others		**9,399**	7,926
		1,161,892	834,691

9.1 Workers' profit participation fund

	Note	2012	2011
Balance as on 01 July		**20,905**	21,669
Add: Interest for the year	33	**2,964**	2,445
Provision for the year	31	**16,171**	10,188
Less: Payments during the year		**(8)**	(13,397)
		40,032	20,905

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

9.2 This represents amount payable to subsidiary company including mark-up thereon net of adjustments of sales tax refunds of the Company against sales tax liability of subsidiary company including mark-up thereon and receivable against allocation of pool expenses.

10. ACCRUED MARK-UP

	Note	2012 (Rupees in thousand)	2011
Long term financing		**78,022**	88,006
Short term borrowings		**107,374**	140,535
Liabilities against assets subject to finance lease		**302**	1,597
		185,698	230,138

11. SHORT TERM BORROWINGS

	Note	2012	2011
From banking companies - secured			
Short term running finances	11.1	**140,493**	1,879,564
Other short term finances	11.2	**3,088,618**	1,815,701
State Bank of Pakistan (SBP) refinances	11.3	**1,135,000**	1,435,000
		4,364,111	5,130,265

11.1 The running finance facilities sanctioned by various banks aggregate to Rupees 165 million (2011: Rupees 2,184 million). The rates of mark-up range from 3.49% to 25% (2011: from 3.49% to 21.90%) per annum. These arrangements are secured by pledge of raw material, charge on current assets of the Company including hypothecation of work-in-process, stores and spares, letters of credit, firm contracts, book debts and personal guarantees of the sponsor directors.

11.2 The other short term finance facilities sanctioned by various banks aggregate to Rupees 4,524.5 million (2011: Rupees 2,426 million). The rates of mark-up range from 4.50% to 25.00% (2011: from 13.45% to 25.00%) per annum. These arrangements are secured by pledge of raw material, charge on current assets of the Company including hypothecation of work-in-process, stores and spares, letters of credit, firm contracts, book debts and personal guarantees of the sponsor directors.

11.3 The export refinance facilities sanctioned by various banks aggregate to Rupees 1,135 million (2011: Rupees 1,435 million). The rate of mark-up is 11.00 % (2011: from 8.50% to 11.00%) per annum. These arrangements are secured by way of charge on current assets of the Company and personal guarantees of the sponsor directors.

12. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
Long term financing	6	**587,062**	564,714
Liabilities against assets subject to finance lease	7	**30,794**	47,030
		617,856	611,744

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

a) The Company has filed an appeal before Appellate Tribunal Inland Revenue, Lahore for tax year 2003 under section 129/132 of Income Tax Ordinance, 2001, which is pending adjudication. The tax loss was restricted to Rupees 27.540 million against declared loss of Rupees 122.933 million thereby creating a demand of Rupees 12.396 million. In addition to the above, another appeal for tax year 2003 against order under section 221 of Income Tax Ordinance, 2001 dated 24 January 2009, on the disallowance of depreciation expense of Rupees 62.665 million has been filed before Appellate Tribunal Inland Revenue which is pending adjudication. This is a cross appeal. Although the learned Commissioner Inland Revenue (Appeals) has already annulled the order under section 221 of the Income Tax Ordinance, 2001, vide order dated 30 July 2009, the Taxation Officer has illegally repeated the original assessment. Therefore, an appeal has also been filed before Commissioner Inland Revenue under section 187 of Income Tax Ordinance, 2001 for tax year 2003, the appellate order of which is pending. The revenue involved on account of penalty was Rupees 17.484 million. The Company has strong grounds and is expecting favourable outcome.

b) The Company has filed an appeal before the Appellate Tribunal Inland Revenue under section 122(5A) / 122(1) / 129 of Income Tax Ordinance, 2001 for tax year 2004 which is pending adjudication. The loss for the year has been assessed at Rupees 255.684 million against declared loss of Rupees 255.886 million creating refund of Rupees 7.498 million. Department has also filed cross appeal mainly on issue of chargeability of 3.5% tax on local purchases amounting to Rupees 950.547 million. The Appellate Tribunal Inland Revenue has set-aside the order of Commissioner Inland Revenue (Appeals) and remanded back to Commissioner Inland Revenue (Appeals) with the direction to readjudicate the issue after considering the evidences produced. The Company has strong grounds and is expecting favourable outcome.

c) The Company has filed an appeal before the Appellate Tribunal Inland Revenue under section 122(5A) / 122(1) of Income Tax Ordinance, 2001 for tax year 2005, which is pending adjudication. The Income for the year has been assessed at Rupees 113.440 million against declared loss of Rupees 205.576 million creating payable of Rupees 74.576 million. Department has also filed cross appeal mainly on issue of chargeability of 3.5% tax on local purchases amounting to Rupees 828.839 million. The Appellate Tribunal Inland Revenue has set-aside the order of Commissioner Inland Revenue (Appeals) and remanded back to Commissioner Inland Revenue (Appeals) with the direction to readjudicate the issue after considering the evidences produced. The Company has strong grounds and is expecting favourable outcome.

d) An appeal for the tax year 2010 has been filed before the Appellate Tribunal Inland Revenue under section 221 of the Income Tax Ordinance, 2001 for tax year 2010, which is pending adjudication. The income for the year has been assessed, creating payable amounting to Rupees 20.789 million. The appeal has been filed on the issue of minimum tax at the rate of 0.5% on turnover can be adjusted against tax deducted on exports. The Company has strong grounds and is expecting favourable outcome.

e) The Company and the tax authorities have filed appeals before different appellate authorities regarding sales tax and custom duty matters. Pending the outcome of appeals filed by the Company and tax authorities, no provision has been made in these financial statements which on the basis adopted by the authorities would amount to Rupees 64.02 million (2011: Rupees 35.555 million), since the Company has strong grounds against the assessments framed by the relevant authorities.

f) The Company has filed recovery suits in civil courts of Rupees 7.908 million (2011: Rupees 8.390 million) against various suppliers and customers for goods supplied by/ to them. Pending the outcome of the cases, no provision there against has been made in these financial statements since the Company is confident about favourable outcome of the cases.

g) The Company has filed a suit before Civil Court, Rawalpindi against demand raised by Sui Northern Gas Pipelines Limited (SNGPL) amounting to Rupees 125.830 million. No provision has been made in these financial statements, since the Company is confident about favourable outcome.

h) An appeal has been filed by Rawalpindi Cantonment Board (RCB) before Supreme Court of Pakistan against judgement passed by Lahore High Court whereby demand created by RCB of Rupees 7.812 million (2011: Rupees 7.812 million) was set aside. No provision has been made in these financial statements, since the Company is confident about favourable outcome of the case.

i) Three cases are pending before the Punjab Labour Appellate Tribunal, Shadman 1, Lahore regarding the reinstatement into service of three employees dismissed from their jobs. No provision has been made in these financial statements, since the Company is confident about favourable outcome of the cases.

j) The Company has not recognised fuel adjustment charges amounting to Rupees 75.596 million (2011: Rupees Nil) notified by National Electric Power Regulatory Authority (NEPRA), as the Company has obtained stay from Honorable Islamabad High Court, Islamabad against payment of fuel adjustment charges as billed by electric supply companies (IESCO/LESCO). The management based on advice of the legal counsel, believes that it has strong grounds of appeal and payment / accrual of such charges will not be required.

k) Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregate Rupees 243.391 million as at 30 June 2012 (2011: Rupees 249.620 million).

13.2 Commitments in respect of letters of credit other than for capital expenditure amount to Rupees 185.585 million (2011: Rupees 42.070 million).

14. PROPERTY, PLANT AND EQUIPMENT

	2012	2011
	(Rupees in thousand)	
Operating fixed assets (Note 14.1)		
- Owned assets	**6,008,509**	6,578,979
- Leased assets	**144,287**	166,964
Capital work in progress (Note 14.2)	**8,585**	1,748
	6,161,381	6,747,691

14.1 Operating Fixed Assets

	Owned Assets											Leased Assets		
	Freehold Land	office bOilding	Factory and other Building	Residential and other building	Plant and machinery	Services and other equipment	Computer and IT installations	Furniture and equipment	Office equipment	Vehicles	Total	Plant and machinery	Vehicles	Total
	(Rupees in thousand)													
At 30 June 2010														
Cost / revalued amount	2,425,069	14,176	899,108	106,732	5,173,748	30,892	58,250	69,785	26,827	106,320	8,910,907	363,121	1,542	364,663
Accumulated depreciation	-	(5,522)	(395,047)	(39,014)	(2,166,527)	(22,095)	(45,078)	(37,941)	(12,792)	(57,302)	(2,781,318)	(83,566)	(711)	(84,277)
Net book value	2,425,069	8,654	504,061	67,718	3,007,221	8,797	13,172	31,844	14,035	49,018	6,129,589	279,555	831	280,386
Year ended 30 June 2011														
Opening net book value	2,425,069	8,654	504,061	67,718	3,007,221	8,797	13,172	31,844	14,035	49,018	6,129,589	279,555	831	280,386
Revaluation surplus	11,672	-	-	-	-	-	-	-	-	-	11,672	-	-	-
Additions	-	-	71,944	5,853	172,647	101	3,594	1,288	1,910	3,283	260,620	27,212	-	27,212
Transfer:														
Cost	399,673	-	-	-	182,807	-	-	-	-	1,542	584,022	(182,807)	(1,542)	(184,349)
Accumulated depreciation	-	-	-	-	(66,247)	-	-	-	-	(825)	(67,072)	66,247	825	67,072
	399,673	-	-	-	116,560	-	-	-	-	717	516,950	(116,560)	(717)	(117,277)
Disposals:														
Cost	-	-	-	-	(3,228)	-	-	-	-	(4,311)	(7,539)	-	-	-
Accumulated depreciation	-	-	-	-	945	-	-	-	-	1,130	2,075	-	-	-
	-	-	-	-	(2,283)	-	-	-	-	(3,181)	(5,464)	-	-	-
Depreciation charge	-	(452)	(41,517)	(4,039)	(271,106)	(876)	(4,379)	(3,195)	(1,336)	(7,488)	(334,388)	(23,243)	(114)	(23,357)
Closing net book value	2,836,414	8,202	534,488	69,532	3,023,039	8,022	12,387	29,937	14,609	42,349	6,578,979	166,964	-	166,964
At 30 June 2011														-
Cost / revalued amount	2,836,414	14,176	971,052	112,585	5,525,974	30,993	61,844	71,073	28,737	106,834	9,759,682	207,526	-	207,526
Accumulated depreciation	-	(5,974)	(436,564)	(43,053)	(2,502,935)	(22,971)	(49,457)	(41,136)	(14,128)	(64,485)	(3,180,703)	(40,562)	-	(40,562)
Net book value	2,836,414	8,202	534,488	69,532	3,023,039	8,022	12,387	29,937	14,609	42,349	6,578,979	166,964	-	166,964
Year ended 30 June 2012														
Opening net book value	2,836,414	8,202	534,488	69,532	3,023,039	8,022	12,387	29,937	14,609	42,349	6,578,979	166,964	-	166,964
Additions	-	-	4,287	105	138,351	11,687	2,408	215	1,698	7,720	166,471	-	-	-
Transfer :														
Cost	-	-	-	-	12,458	-	-	-	-	-	12,458	(12,458)	-	(12,458)
Accumulated depreciation	-	-	-	-	(4,263)	-	-	-	-	-	(4,263)	4,263	-	4,263
	-	-	-	-	8,195	-	-	-	-	-	8,195	(8,195)	-	(8,195)
Disposals:														
Cost	(411,345)	-	-	-	(595)	-	(688)	(52)	(44)	(2,617)	(415,341)	-	-	-
Accumulated depreciation	-	-	-	-	401	-	459	35	14	2,059	2,968	-	-	-
	(411,345)	-	-	-	(194)	-	(229)	(17)	(30)	(558)	(412,373)	-	-	-
Depreciation charge	-	(429)	(43,645)	(3,918)	(268,661)	(1,080)	(3,906)	(2,930)	(1,449)	(6,745)	(332,763)	(14,482)	-	(14,482)
Closing net book value	2,425,069	7,773	495,130	65,719	2,900,730	18,629	10,660	27,205	14,828	42,766	6,008,509	144,287	-	144,287
At 30 June 2012														
Cost / revalued amount	2,425,069	14,176	975,339	112,690	5,676,188	42,680	63,564	71,236	30,391	111,937	9,523,270	195,068	-	195,068
Accumulated depreciation	-	(6,403)	(480,209)	(46,971)	(2,775,458)	(24,051)	(52,904)	(44,031)	(15,563)	(69,171)	(3,514,761)	(50,781)	-	(50,781)
Net book value	2,425,069	7,773	495,130	65,719	2,900,730	18,629	10,660	27,205	14,828	42,766	6,008,509	144,287	-	144,287
Depreciation rate (%)	-	5	5 - 10	5 - 10	10	10	30	10	10	20	10	10	20	-

14.1.1 Freehold land was revalued by an independent valuer Messers ARCH-e'-decon (Evaluator, Surveyors, Architects and Engineers) as at 30 March 2010. Book value of land on cost basis is Rupees 14.836 million (2011: Rupees 414.509 million) as on 30 June 2012. Had there been no revaluation, the value of land would have been lower by Rupees 2,410.233 million (2011: Rupees 2,421.905 million).

14.1.2 Detail of operating fixed assets, exceeding the book value of Rupees 50,000 disposed of during the year is as follows:

Particulars	Cost/ revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Gain/ (loss)	Mode of disposal	Particulars of purchasers
	-----------(Rupees in thousand)				---------------		
Land	411,345	-	411,345	317,196	(94,149)	Negotiation	Allied Bank Limited
Plant and Machinery							
Sewing Machine	581	391	190	2	(188)	Negotiation	Gohar Sons Paper Cone Factory
Computer and IT Installations							
Gemni LS43 Wireless Bridge	185	59	126	117	(9)	Insurance claim	EFU General Insurance Limited
Vehicles							
Toyota Corolla LZA-717	908	671	237	249	12	Negotiation	Mr. Sohail Sadiq
Suzuki Cultus LRE-620	490	388	102	422	320	Negotiation	Mrs. Sughran Begum
Honda City RLD-9540	810	602	208	500	292	Insurance claim	EFU General Insurance Limited
	2,208	1,661	547	1,171	624		
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000	1,022	857	165	576	411	Negotiation	
	415,341	2,968	412,373	319,062	(93,311)		

	Note	2012	2011
		(Rupees in thousand)	
14.1.3 Depreciation charged during the year has been allocated as follows:			
Cost of sales	28	**331,958**	338,107
Administrative expenses	30	**15,287**	19,638
		347,245	357,745
14.2 Capital work in progress			
Civil works and buildings		**-**	105
Plant and machinery		**8,585**	1,643
		8,585	1,748

15. INTANGIBLE ASSET

Computer software

Year ended 30 June

	Note	2012	2011
Opening net book value		**9,563**	-
Additions		**-**	9,836
Amortization	30	**(3,279)**	(273)
Closing net book value		**6,284**	9,563
Cost as at 30 June		**9,836**	9,836
Accumulated amortization		**(3,552)**	(273)
Net book value		**6,284**	9,563
Amortization rate (per annum)		**33.33%**	33.33%

16. INVESTMENT PROPERTIES

Year ended 30 June

	2012	2011
Opening net book amount	**1,721,714**	1,720,835
Addition during the year	**5,539**	-
Fair value gain	**1,633**	879
Closing net book amount	**1,728,886**	1,721,714

16.1 The fair value of investment properties comprising land and building situated at Lahore and Rawalpindi have been determined at 30 June 2012 by an independent valuer having relevant professional qualifications. The fair value was determined on the basis of professional assessment of the current prices in an active market for similar properties in the same location and condition.

17. LONG TERM INVESTMENTS

Investment in subsidiary companies

2012 (Number of shares)	2011 (Number of shares)		Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
340,410,425	340,410,425	Maple Leaf Cement Factory Limited - quoted Ordinary shares of Rupees 10 each fully paid Equity held 64.50% (2011: 64.63%)	17.1	**3,248,680**	3,248,680
-	19,998	Concept Trading (Private) Limited - unquoted Ordinary shares of Rupees 10 each fully paid Equity held Nil% (2011: 99.99%)		**-**	200
				3,248,680	3,248,880

17.1 Based on value in use calculations as at 30 June 2012, there was no impairment loss on investment in subsidiary company (tested for impairment under IAS 36 "Impairment of Assets"). The recoverable amount of investment in Maple Leaf Cement Factory Limited - subsidiary company was determined by an independent valuer.

17.2 During the year, Concept Trading (Private) Limited (wholly owned subsidiary company) was wound up on 13 August 2011 after complying with all regulatory and procedural requirements. The Company held 99.99% of paid up capital of Concept Trading (Private) Limited. Amount received / adjusted on members' voluntary winding up of subsidiary company amounted to Rupees 537.537 million.

	Note	2012	2011
		(Rupees in thousand)	
18. LONG TERM DEPOSITS			
Security deposits		**64,220**	43,380
Less: Current portion shown under current assets	23	**(13,705)**	(7,622)
		50,515	35,758
19. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores	19.1	**226,381**	270,494
Spare parts and loose tools		**95,489**	58,643
		321,870	329,137
Less: Provision against slow moving items	19.2	**(1,384)**	(744)
		320,486	328,393

19.1 This includes stores in transit of Rupees 6.032 million (2011: Rupees 3.081 million).

19.2 Provision against slow moving items

	Note	2012	2011
As at 01 July		**744**	-
Add: Provision for the year	31	**640**	744
As at 30 June		**1,384**	744

19.3 Stores and spare parts include items which may result in fixed capital expenditure but are not distinguishable.

20. STOCK-IN-TRADE

	Note	2012	2011
Raw materials	20.1	**809,793**	530,846
Work-in-process		**409,287**	391,129
Finished goods		**310,869**	735,277
		1,529,949	1,657,252

20.1 Raw materials include stock in transit of Rupees 140.422 million (2011: Rupees 210.034 million).

20.2 Stock in trade of Rupees 0.941 million (2011: Rupees 303.684 million) is being carried at net realizable value.

20.3 The aggregate amount of write-down of inventories to net realizable value recognised during the year was Rupees 0.082 million (2011: Rupees 47.216 million).

	Note	2012	2011
		(Rupees in thousand)	

21. TRADE DEBTS

Considered good:			
Secured (against letters of credit)		**374,803**	166,654
Unsecured		**611,880**	540,746
		986,683	707,400
Considered doubtful:			
Others - unsecured		**6,367**	2,274
Less: Provision for doubtful debts			
As at 01 July		**2,274**	-
Add: Provision for the year	31	**4,093**	2,274
As at 30 June		**6,367**	2,274
		-	-

21.1 As at 30 June 2012, trade debts of Rupees 522.637 million (2011: Rupees 493.844 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2012	2011
	(Rupees in thousand)	
Upto 1 month	**270,527**	293,516
1 to 6 months	**133,246**	167,262
More than 6 months	**118,864**	33,066
	522,637	493,844

21.2 As at 30 June 2012, trade debts of Rupees 6.367 million (2011: Rupees 2.274 million) were impaired and provided for. The ageing of these trade debts was more than three years.

22. ADVANCES

Considered good :		
Employees - interest free		
- Executives	**2,056**	1,390
- Other employees	**571**	224
	2,627	1,614
Advances to suppliers	**299,919**	222,985
Letters of credit	**9,860**	16,732
	312,406	241,331

	Note	2012	2011
		(Rupees in thousand)	

23. SECURITY DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2012	2011
Current portion of long term deposits	18	**13,705**	7,622
Short term prepayments		**12,204**	11,423
		25,909	19,045

24. OTHER RECEIVABLES

Considered good:

	Note	2012	2011
Sales tax refundable		**136,385**	242,402
Custom duty receivable		**3,642**	3,642
Mark up rate support receivable from financial institution		**5,983**	11,689
Export rebate		**38,591**	42,664
Insurance claims		**5,834**	281
Research and development support		**472**	472
Duty draw back		**95,792**	119,555
Others		**21,795**	12,238
		308,494	432,943

25. SHORT TERM INVESTMENTS

Investments at fair value through profit or loss

	Note	2012	2011
Quoted companies		**600**	702
Gain / (loss) on remeasurement of fair value during the year		**11**	(102)
		611	600

26. CASH AND BANK BALANCES

	Note	2012	2011
Cash in hand		**944**	1,301
Cash at bank:			
- On current accounts		**48,964**	98,651
- On saving accounts	26.1	**335,595**	321,044
		384,559	419,695
		385,503	420,996

26.1 The balances in saving accounts carry interest ranging from 0.26% to 11.50% (2011: from 0.20% to 12%) per annum.

26.2 The balances in current and deposit accounts include US $ 453,879 (2011: US $ 217,802).

27. SALES

	Note	2012 (Rupees in thousand)	2011
Export	27.2	**5,918,740**	6,661,344
Local	27.1	**5,190,240**	5,213,062
Duty drawback		**-**	116,458
Export rebate		**37,718**	46,389
		11,146,698	12,037,253

27.1 Local sales

	2012	2011
Local sales	**5,190,240**	5,213,384
Less : Sales tax	**-**	322
	5,190,240	5,213,062

27.2 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rupees 61.043 million (2011: Rupees 15.966 million) has been included in export sales.

28. COST OF SALES

	Note	2012 (Rupees in thousand)	2011
Raw materials consumed	28.1	**4,396,264**	5,349,247
Cloth and yarn procured and consumed		**1,297,425**	1,443,577
Salaries, wages and other benefits	28.2	**673,839**	699,683
Dyes and chemicals consumed		**320,531**	341,963
Processing charges		**14,252**	13,508
Stores, spare parts and loose tools consumed		**734,420**	513,192
Packing materials consumed		**266,852**	325,142
Fuel and power		**728,286**	575,707
Repair and maintenance		**89,217**	55,592
Insurance		**22,863**	21,969
Other factory overheads		**27,892**	33,860
Depreciation	14.1.3	**331,958**	338,107
		8,903,799	9,711,547
Work-in-process			
Opening stock		**391,129**	891,618
Closing stock		**(409,287)**	(391,129)
		(18,158)	500,489
Cost of goods manufactured		**8,885,641**	10,212,036
Finished goods			
Opening stock		**735,277**	736,946
Closing stock		**(310,869)**	(735,277)
		424,408	1,669
Cost of sales		**9,310,049**	10,213,705

	2012	2011
	(Rupees in thousand)	
28.1 Raw materials consumed		
Opening stock	**357,749**	709,197
Add: Purchased during the year	**4,707,886**	4,997,799
	5,065,635	5,706,996
Less: Closing stock	**(669,371)**	(357,749)
	4,396,264	5,349,247

28.2 Salaries, wages and other benefits include provident fund contribution of Rupees 16.645 million (2011: Rupees 16.631 million) by the Company.

29. DISTRIBUTION COST

	Note	2012	2011
		(Rupees in thousand)	
Salaries and other benefits	29.1	**42,947**	39,374
Outward freight and handling		**41,220**	30,995
Clearing and forwarding		**183,587**	232,933
Commission to selling agents		**93,549**	83,955
Travelling and conveyance		**13,523**	13,732
Insurance		**274**	505
Vehicles' running expenses		**3,936**	3,389
Electricity, gas and water		**1,280**	910
Postage, telephone and fax		**2,589**	2,247
Legal and professional		**-**	80
Sales promotion and advertisement		**15,626**	13,804
Miscellaneous expense		**3,995**	3,139
		402,526	425,063

29.1 Salaries and other benefits include provident fund contribution of Rupees 1.397 million (2011: Rupees 1.399 million) by the Company.

30. ADMINISTRATIVE EXPENSES

	Note	2012	2011
		(Rupees in thousand)	
Salaries and other benefits	30.1	**107,157**	107,214
Travelling and conveyance		**9,741**	6,744
Repairs and maintenance		**4,415**	9,123
Rent, rates and taxes		**1,624**	7,061
Insurance		**6,343**	4,481
Vehicles' running expenses		**11,324**	9,574
Printing, stationery and periodicals		**4,923**	4,115
Electricity, gas and water		**4,264**	2,506
Postage, telephone and fax		**4,665**	5,607
Legal and professional		**6,542**	5,895
Security, gardening and sanitation		**19,115**	20,424
Amortization	15	**3,279**	273
Depreciation	14.1.3	**15,287**	19,638
Miscellaneous expense		**11,677**	16,084
		210,356	218,739

30.1 Salaries and other benefits include provident fund contribution of Rupees 3.407 million (2011: Rupees 3.008 million) by the Company.

	Note	2012	2011
		(Rupees in thousand)	

31. OTHER OPERATING EXPENSES

	Note	2012	2011
Auditors' remuneration	31.1	**1,225**	1,608
Donations	31.2	**400**	451
Loss on disposal of property, plant and equipment	14.1.2	**93,311**	-
Loss on disposal of freehold land classified as held for sale		**-**	34,050
Loss on winding up of subsidiary company		**171**	-
Loss on remeasurement of fair value of investments at fair value through profit or loss		**-**	102
Provision for doubtful debts	21	**4,093**	2,274
Provision for slow moving stores, spare parts and loose tools	19.2	**640**	744
Workers' profit participation fund	9.1	**16,171**	10,188
Miscellaneous		**-**	15
		116,011	49,432

31.1 Auditors' remuneration

	2012	2011
Audit fee	**1,200**	1,200
Certifications	**25**	408
	1,225	1,608

31.2 None of the directors and their spouses have any interest in the donee's fund.

32. OTHER OPERATING INCOME

	2012	2011
Income from financial assets:		
Exchange gain	**4,282**	5,570
Gain on disposal of investments at fair value through profit or loss	**6,399**	1,227
Gain on disposal of investment - Security General Insurance Company Limited	**-**	530,477
Gain on remeasurement of fair value of investments at fair value through profit or loss	**11**	-
Return on bank deposits	**17,600**	1,268
Dividend income	**75**	266
	28,367	538,808
Income from related parties :		
Dividend income - Security General Insurance Company Limited	**-**	15,997
Mark up on receivable from Maple Leaf Cement Factory Limited	**-**	2,517
	-	18,514
Income from non-financial assets:		
Scrap sales	**26,888**	29,898
Gain on disposal of property, plant and equipment	**-**	7,668
Gain on remeasurement of fair value of investment property	**1,633**	879
Unclaimed balances written back	**10,066**	-
Miscellaneous	**319**	3
	38,906	38,448
	67,273	595,770

33. FINANCE COST

	Note	2012	2011
		(Rupees in thousand)	
Mark-up / finance charges / interest on:			
Long term financing		**231,140**	263,350
Short term borrowings		**580,296**	721,918
Liabilities against assets subject to finance lease		**6,472**	14,211
Workers' profit participation fund	9.1	**2,964**	2,445
Payable to Maple Leaf Cement Factory Limited - net		**20,833**	-
Employees' provident fund trust		**5,626**	6,407
		847,331	1,008,331
Bank charges and commission		**23,409**	28,963
		870,740	1,037,294

34. TAXATION

	Note	2012	2011
For the year			
Current tax	34.1	**109,826**	132,181
Deferred tax		**78,034**	68,758
		187,860	200,939

34.1 Provision for current tax represents final tax on export sales, minimum tax on local sales and tax on income from other sources under the relevant provisions of the Income Tax Ordinance, 2001. Numeric tax reconciliation has not been presented, being impracticable.

35. CASH GENERATED FROM OPERATIONS

	Note	2012	2011
		(Rupees in thousand)	
Profit before taxation		**304,289**	688,790
Adjustment for non-cash charges and other items:			
Depreciation		**347,245**	357,745
Amortization		**3,279**	273
Finance cost		**870,740**	1,034,849
Loss / (gain) on sale of property, plant and equipment		**93,311**	(7,668)
Gain on disposal of investments at fair value through profit or loss		**(6,399)**	(1,227)
Loss on winding up of subsidiary company		**171**	-
Gain on disposal of investment - Security General Insurance Company Limited		**-**	(530,477)
Gain on remeasurement of fair value of investment properties		**(1,633)**	(879)
Dividend income		**(75)**	(16,263)
Return on bank deposits		**(17,600)**	(1,268)
Provision for doubtful debts		**4,093**	2,274
Provision for slow moving stores, spare parts and loose tools		**640**	744
Unclaimed balances written back		**(10,066)**	-
Loss on disposal of non-current assets classified as held for sale		**-**	34,050
(Gain) / loss on remeasurement of investments at fair value through profit or loss		**(11)**	102
Working capital changes	35.1	**298,696**	1,437,349
		1,886,680	2,998,394

	2012	2011
	(Rupees in thousand)	

35.1 Working capital changes

	2012	2011
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	7,267	16,661
Stock-in-trade	127,303	735,861
Trade debts	(283,376)	619,391
Advances	(71,075)	355,464
Security deposits and short term prepayments	(6,864)	(3,467)
Due from subsidiary companies	-	(585,867)
Other receivables	124,449	491,475
	(102,296)	1,629,518
Increase / (decrease) in trade and other payables	400,992	(192,169)
	298,696	1,437,349

36. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements in respect of remuneration including certain benefits to the chief executive officer, directors and executives of the Company are given below:

	Chief Executive Officer		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	--------------------(Rupees in Thousand)------------------					
Managerial remuneration	4,246	3,785	5,280	4,640	50,004	45,383
Allowances						
House rent	-	-	133	133	10,547	9,575
Conveyance	-	-	279	269	6,079	5,491
Medical	-	-	153	137	4,879	4,432
Utilities	289	256	171	185	6,306	5,843
Special allowance	1,274	1,135	1,557	1,393	13,641	12,362
Contribution to provident fund	354	315	177	158	4,167	3,547
	6,163	5,491	7,750	6,915	95,623	86,633
Number of persons	1	1	3	3	48	49

The Chief Executive Officer and directors are provided with the Company's maintained vehicles, free medical facilities and residential telephone facilities for both business and personal use. Chief Executive Officer is also provided with free furnished accommodation alongwith utilities.

Executives are provided with the Company's maintained vehicles in accordance with the Company policy.

The aggregate amount charged in these f inancial statements in respect of directors' meeting fee paid to 1 (2011: 2) non - executive directors was Rupees 65,000 (2011: Rupees 90,000).

37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary company, associated undertakings, directors of the company and their close relatives, key management personnel and staff retirement fund. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2012	2011
	(Rupees in thousand)	
Subsidiary company		
Purchase of goods and services	**399**	479
Purchase of property, plant and equipment	**17**	-
Sale of property, plant and equipment	**-**	204
Associated company		
Dividend income	**-**	15,997
Post employment benefit plan		
Contribution to provident fund	**21,449**	21,038
Other related parties		
Sale of vehicles	**-**	2,477

38. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2012	2011
Profit attributable to ordinary shares	Rupees in thousand	**116,429**	487,851
Weighted average number of ordinary shares	Numbers	**245,526,216**	221,964,572
Earnings per share	Rupees	**0.47**	2.20

39. PLANT CAPACITY AND ACTUAL PRODUCTION

SPINNING:

	2012	2011
- Rawalpindi Division	(Numbers)	
Spindles (average) installed / worked	**85,680**	85,680
	(Kilograms in thousand)	
100% Plant capacity converted into 20s count based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	**36,315**	33,620
Actual production converted into 20s count based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	**24,998**	23,547

	2012	2011
	(Numbers)	
- Gujar Khan Division		
Spindles (average) installed / worked	**70,848**	70,848
	(Kilograms in thousand)	
100% Plant capacity converted into 20s count based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	**31,900**	32,042
Actual production converted into 20s count based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	**24,441**	25,989

WEAVING:

- Raiwind Division	(Numbers)	
Looms installed / worked	**204**	204
	(Square meters in thousand)	
100% Plant capacity at 60 picks based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	**72,568**	72,568
Actual production converted to 60 picks based on 3 shifts per day for 1,082 shifts (2011: 1,072 shifts)	**65,871**	66,580

PROCESSING OF CLOTH :

- Rawalpindi Division	(Meters in thousand)	
Capacity at 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	**41,860**	41,975
Actual production at 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	**15,204**	21,367

POWER PLANT:

- Rawalpindi Division	(Mega Watts)	
Annual rated capacity based on 366 days (2011: 365 days)	**208,356**	207,787
Actual generation		
- Main engines	**11,659**	884
- Gas engines	**41,104**	60,935
- Raiwind Division		
Annual rated capacity (based on 365 days)	**54,460**	54,460
Actual generation - Gas engines	**14,366**	22,432

Stitching

The plant capacity of this division is indeterminable due to multi product plant involving varying processes of manufacturing and run length of order lots.

REASONS FOR LOW PRODUCTION

- Due to stoppage for normal maintenance, doffing, change of spin plans and cloth quality, interruption in gas and electricity supply.
- Cloth processing units working capacity was limited to actual export / local orders in hand.
- The generation of power was limited to actual demand.

40. SEGMENT INFORMATION

40.1

	Spinning		Weaving		Processing and home textile		Elimination of inter-segment transactions		Company	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)									
SALES :										
EXTERNAL	3,998,155	4,157,829	2,607,934	2,415,601	4,540,609	5,463,823	-	-	11,146,698	12,037,253
INTER-SEGMENT	638,205	1,350,848	1,149,909	1,502,378	-	-	(1,788,114)	(2,853,226)	-	-
	4,636,360	5,508,677	3,757,843	3,917,979	4,540,609	5,463,823	(1,788,114)	(2,853,226)	11,146,698	12,037,253
COST OF SALES	(3,839,880)	(4,667,274)	(3,315,394)	(3,375,707)	(3,942,889)	(5,023,950)	1,788,114	2,853,226	(9,310,049)	(10,213,705)
GROSS PROFIT	796,480	841,403	442,449	542,272	597,720	439,873	-	-	1,836,649	1,823,548
DISTRIBUTION COST	(10,860)	(16,650)	(96,352)	(70,903)	(295,314)	(337,510)	-	-	(402,526)	(425,063)
ADMINISTRATIVE EXPENSES	(41,066)	(74,787)	(83,211)	(68,961)	(86,079)	(74,991)	-	-	(210,356)	(218,739)
	(51,926)	(91,437)	(179,563)	(139,864)	(381,393)	(412,501)	-	-	(612,882)	(643,802)
PROFIT BEFORE TAX AND UNALLOCATED INCOME AND EXPENSES	744,554	749,966	262,886	402,408	216,327	27,372	-	-	1,223,767	1,179,746
UNALLOCATED INCOME AND EXPENSES										
FINANCE COST									(870,740)	(1,037,294)
OTHER OPERATING EXPENSES									(116,011)	(49,432)
OTHER OPERATING INCOME									67,273	595,770
TAXATION									(187,860)	(200,939)
									(1,107,338)	(691,895)
PROFIT AFTER TAXATION									116,429	487,851

40.2 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Processing and home textile		Company	
	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)							
TOTAL ASSETS FOR REPORTABLE SEGMENT	3,130,758	2,741,104	2,289,887	2,187,389	2,303,430	2,707,311	7,724,075	7,635,804
UNALLOCATED ASSETS							7,473,855	8,666,861
TOTAL ASSETS AS PER BALANCE SHEET							15,197,930	16,302,665

All segment assets are allocated to reportable segments other than those directly relating to corporate and tax assets.

	Spinning		Weaving		Processing and home textile		Company	
	2012	2011	2012	2011	2012	2011	2012	2011
TOTAL LIABILITIES FOR REPORTABLE SEGMENT	1,040,800	998,668	1,428,051	1,860,641	3,090,847	4,257,469	5,559,698	7,116,778
UNALLOCATED LIABILITIES							1,449,670	1,113,754
TOTAL LIABILITIES AS PER BALANCE SHEET							7,009,368	8,230,532

All segment liabilities are allocated to reportable segments other than trade and other payables and deferred tax liabilities.

40.3 Geographical Information

40.3.1 The Company's revenue from external customers by geographical location is detailed below:

	2012	2011
	(Rupees in thousand)	
Europe	**1,831,803**	2,025,774
America	**3,758,302**	4,342,122
Asia, Africa, Australia	**366,353**	456,295
Pakistan	**5,190,240**	5,213,062
	11,146,698	12,037,253

40.3.2 All non-current assets as at reporting date are located and operated in Pakistan.

40.4 Revenue from major customers

The Company's revenue is earned from a large mix of customers.

41. FINANCIAL RISK MANAGEMENT

41.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Currently, the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2012	2011
Cash at banks - USD	**453,879**	217,802
Trade debts - USD	**6,762,000**	4,485,184
Trade debts - Euro	**8,859**	-
Trade and other payable - USD	**61,000**	57,000
Net exposure - USD	**7,154,879**	4,646,184
Net exposure - Euro	**8,859**	-

The following significant exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	**89.92**	85.76
Reporting date rate	**94.58**	86.05
Rupees per Euro		
Average rate	**119.01**	117.96
Reporting date rate	**117.58**	124.89

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 31.824 million and Rupees 0.049 million (2011 : Rupees 18.798 million and Rupees Nil) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. 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 instruments traded in the market. The Company is not exposed to commodity price risk.

Sensitivity analysis

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

Index	Impact on profit after taxation		Impact on statement of other comprehensive income	
	2012	2011	2012	2011
	--------------- (RUPEES IN THOUSAND) -----------------			
KSE 100 (5% increase)	**29**	28	**-**	-
KSE 100 (5% decrease)	**(29)**	(28)	**-**	-

(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, liabilities against assets subject to finance lease and short term borrowings. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

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

	2012	2011
	(Rupees in thousand)	
Fixed rate instruments		
Financial liabilities		
Long term financing	**101,206**	196,551
Short term borrowings	**1,135,000**	1,435,000
Floating rate instruments		
	-	
Financial assets		
	-	
Bank balances- saving accounts	**335,595**	321,044
	-	
Financial liabilities		
	-	
Long term financing	**1,000,197**	1,686,873
Liabilities against assets subject to finance lease	**51,295**	89,873
Short term borrowings	**3,229,111**	3,695,265

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 or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rate at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 37.478 million (2011 : Rupees 48.934 million) lower / higher, mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments 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. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2012	2011
	(Rupees in thousand)	
Investments	**611**	600
Deposits	**64,220**	43,380
Trade debts	**986,683**	707,400
Advances	**2,627**	1,614
Accrued interest	**217**	46
Due from subsidiary companies	**-**	601,144
Other receivables	**33,612**	24,208
Bank balances	**384,559**	419,695
	1,472,529	1,798,087

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

	Rating			2012	2011
Banks	Short term	Long term	Agency	(Rupees in thousand)	
Al-Baraka Islamic Bank (Pakistan) Limited	A2	A	PACRA	**2,581**	6,410
Allied Bank Limited	A1+	AA	PACRA	**3,326**	6,507
Askari Bank Limited	A1+	AA	PACRA	**24,236**	46,473
Bank Alfalah Limited	A1+	AA	PACRA	**3,923**	32,275
Bank Al-Habib Limited	A-1-	AA+	PACRA	**699**	1604
Bank Islami Pakistan Limited	A1	A	PACRA	**22**	-
Burj Bank Limited	A-2	A	JCR-VIS	**11**	279,710
Citibank N.A.	P-1	Aa3	Moody's	**26**	494
Faysal Bank Limited	A-1+	AA	PACRA	**206**	774
First Women Bank Ltd	A2	BBB+	PACRA	**19**	-
Habib Bank Limited	A-1+	AA+	JCR-VIS	**119**	50
HSBC Bank Middle East Limited	P-1	A1	Moody's	**36**	-
KASB Bank Limited	A3	BBB	PACRA	**287,502**	-
MCB Bank Limited	A1+	AA+	PACRA	**25,692**	26,419
Meezan Bank Limited	A-1+	AA-	JCR-VIS	**541**	618
My Bank Limited	A-2	A-	PACRA	**-**	32
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**1,381**	4666
NIB Bank Limited	A1+	AA-	PACRA	**3,495**	1657
Silkbank Limited	A-2	A-	JCR-VIS	**9**	7
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	**41**	10
The Bank of Punjab	A1+	AA-	PACRA	**27,353**	11765
United Bank Limited	A-1+	AA+	JCR-VIS	**3,341**	224
				384,559	419,695

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 21.

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

(c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2012, the Company had Rupees 5,825 million (2011: Rupees 6,045 million) available borrowing limits from financial institutions and Rupees 385.503 million (2011: Rupees 420.996 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2012

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	------------------- (Rupees in thousand)					
Non-derivative financial liabilities:						
Long term financing	**1,106,197**	**1,295,803**	**479,149**	**275,161**	**537,706**	**3,787**
Liabilities against assets subject to finance lease	**51,295**	**54,165**	**22,567**	**10,867**	**20,731**	**-**
Trade and other payables	**990,455**	**990,455**	**990,455**	**-**	**-**	**-**
Accrued mark-up	**185,698**	**185,698**	**185,698**	**-**	**-**	**-**
Short term borrowings	**4,364,111**	**4,480,440**	**3,933,471**	**546,969**	**-**	**-**
	6,697,756	**7,006,561**	**5,611,340**	**832,997**	**558,437**	**3,787**

'Contractual maturities of financial liabilities as at 30 June 2011

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	------------------- (Rupees in thousand)					
Non-derivative financial liabilities:						
Long term financing	1,883,424	2,264,497	472,488	313,083	721,298	757,628
Liabilities against assets subject to finance lease	89,873	101,238	16,607	24,888	43,675	16,068
Trade and other payables	754,095	754,095	754,095	-	-	-
Accrued mark-up	230,138	230,138	230,138	-	-	-
Short term borrowings	5,130,265	5,335,524	5,301,394	34,130	-	-
	8,087,795	8,685,492	6,774,722	372,101	764,973	773,696

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, note 7 and note 11 to these financial statements.

41.2 Financial instruments by categories

	Loans and receivables	Through profit or loss	Total
	-------------(Rupees in thousand)-------------		
As at 30 June 2012			
Assets as per balance sheet			
Investments	-	611	611
Deposits	64,220	-	64,220
Trade debts	986,683	-	986,683
Advances	2,627	-	2,627
Accrued interest	217	-	217
Other receivables	33,612	-	33,612
Cash and bank balances	385,503	-	385,503
	1,472,862	611	1,473,473

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	1,106,197
Liabilities against assets subject to finance lease	51,295
Trade and other payables	990,455
Accrued mark-up	185,698
Short term borrowings	4,364,111
	6,697,756

	Loans and receivables	Through profit or loss	Total
	-------------(Rupees in thousand)-------------		
As at 30 June 2011			
Assets as per balance sheet			
Investments	-	600	600
Deposits	43,380	-	43,380
Trade debts	707,400	-	707,400
Advances	1,614	-	1,614
Interest accrued	46	-	46
Due from subsidiary companies	601,144	-	601,144
Other receivables	24,208	-	24,208
Cash and bank balances	420,996	-	420,996
	1,798,788	600	1,799,388

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	1,883,424
Liabilities against assets subject to finance lease	89,873
Trade and other payables	754,095
Accrued mark-up	230,138
Short term borrowings	5,130,265
	8,087,795

41.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in note 6, note 7 and note 11 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. The gearing ratio as at year ended 30 June 2012 and 30 June 2011 is as follows:

	2012	2011
	(Rupees in thousand)	
Borrowings	5,521,603	7,103,562
Total equity	4,514,737	4,386,636
Total capital employed	10,036,340	11,490,198
Gearing ratio	55%	62%

The decrease in gearing ratio resulted primarily from decrease in borrowings of the Company.

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on September 26, 2012 by the Board of Directors of the Company.

43. CORRESPONDING FIGURES

No significant reclassification / rearrangement of corresponding figures has been made.

44. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless stated otherwise.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

Pattern of Shareholding

1. CUIN (Incorporation Number)	**0002805**
2. Name of the Company	**KOHINOOR TEXTILE MILLS LIMITED**
3. Pattern of holding of the shares held by the shareholders as at	**30.06.2012**

4. Size of Holding

No. of Shareholders	From		To	Total Shares Held
2,625	1	-	100	71,839
1,022	101	-	500	296,405
362	501	-	1,000	270,913
607	1,001	-	5,000	1,601,664
118	5,001	-	10,000	897,710
44	10,001	-	15,000	539,666
32	15,001	-	20,000	583,827
17	20,001	-	25,000	398,888
9	25,001	-	30,000	248,231
7	30,001	-	35,000	223,360
3	35,001	-	40,000	116,974
7	40,001	-	45,000	302,119
9	45,001	-	50,000	442,073
5	50,001	-	55,000	262,384
4	55,001	-	60,000	232,385
5	60,001	-	65,000	309,734
1	65,001	-	70,000	67,000
2	70,001	-	75,000	145,937
2	75,001	-	80,000	152,600
1	85,001	-	90,000	88,214
1	90,001	-	95,000	92,350
5	95,001	-	100,000	494,110
1	100,001	-	105,000	105,000
2	105,001	-	110,000	212,525
1	115,001	-	120,000	120,000
1	120,001	-	125,000	121,000
1	130,001	-	135,000	134,059
2	145,001	-	150,000	300,000
1	150,001	-	155,000	150,223
1	160,001	-	165,000	160,085
1	165,001	-	170,000	169,838
1	175,001	-	180,000	179,830
1	185,001	-	190,000	185,357
1	200,001	-	205,000	201,156
1	205,001	-	210,000	208,272
1	210,001	-	215,000	215,000
1	215,001	-	220,000	218,000
1	250,001	-	255,000	251,293
2	275,001	-	280,000	553,549
1	295,001	-	300,000	300,000
1	300,001	-	305,000	300,405
1	315,001	-	320,000	315,847

Size of Holding				
No. of Shareholders	From		To	Total Shares Held
1	320,001	-	325,000	322,491
1	435,001	-	440,000	438,999
1	445,001	-	450,000	447,218
1	450,001	-	455,000	450,216
1	485,001	-	490,000	485,100
1	490,001	-	495,000	495,000
2	495,001	-	500,000	996,094
1	635,001	-	640,000	635,200
1	690,001	-	695,000	691,753
1	780,001	-	785,000	784,047
1	905,001	-	910,000	905,062
1	1,115,001	-	1,120,000	1,116,000
1	1,275,001	-	1,280,000	1,279,886
1	1,560,001	-	1,565,000	1,560,500
1	1,935,001	-	1,940,000	1,936,120
1	2,360,001	-	2,365,000	2,362,066
1	3,325,001	-	3,350,000	3,325,868
1	5,075,001	-	5,080,000	5,077,500
1	5,770,001	-	5,775,000	5,772,279
1	8,545,001	-	8,550,000	8,549,366
1	9,045,001	-	9,050,000	9,045,940
1	10,040,001	-	10,045,000	10,040,331
1	10,825,001	-	10,830,000	10,827,332
1	45,495,001	-	45,500,000	45,496,057
1	60,040,001	-	60,045,000	60,040,081
1	60,205,001	-	60,210,000	60,205,888
4,938		**TOTAL**		**245,526,216**

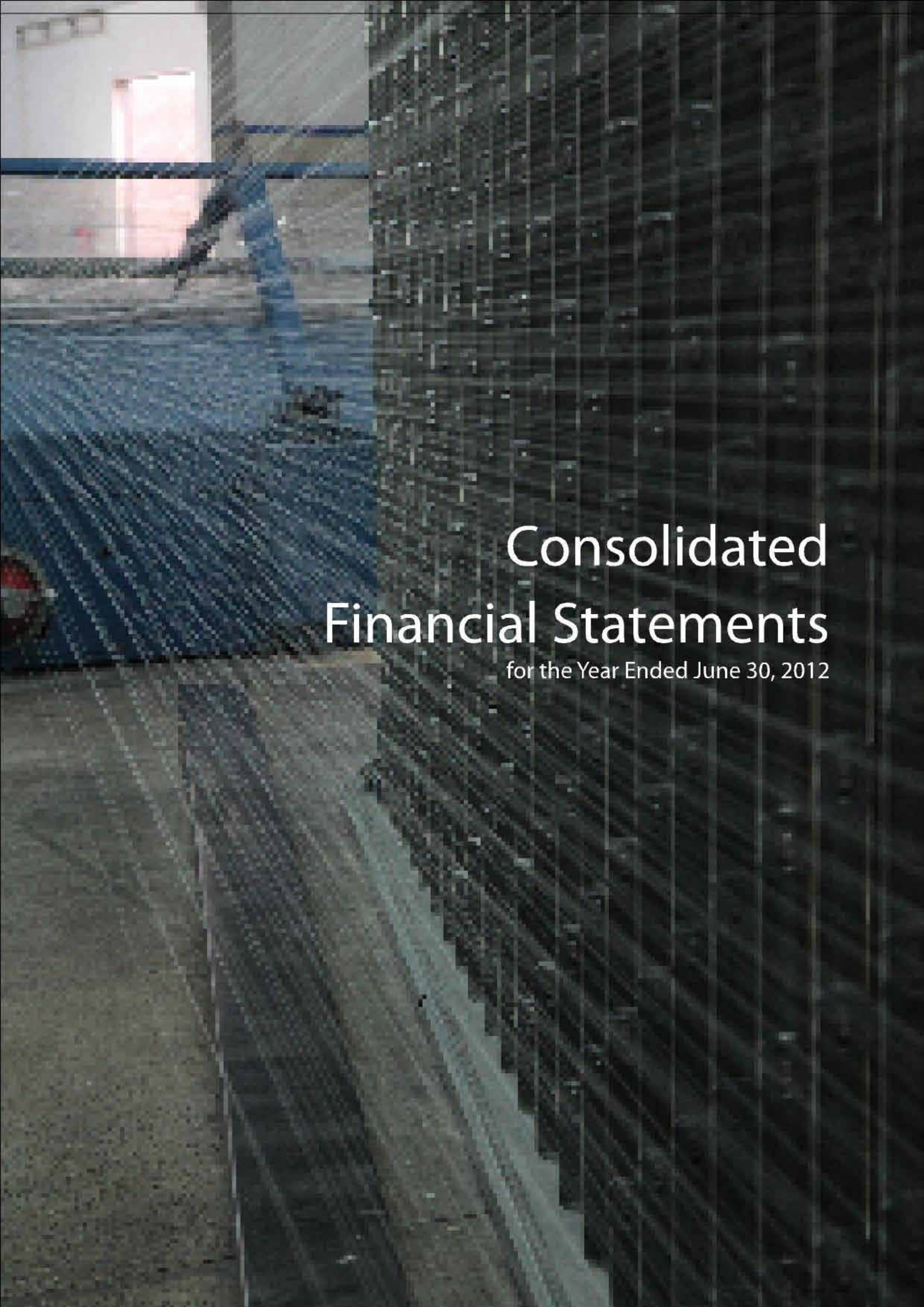
Note : The Slabs not applicable above have not been shown.

5.	Categories of Shareholders	Shares Held	Percentage of Capital
5.1	**Directors, Chief Executive Officer and their spouses & minor children**		
	Mr. Tariq Sayeed Saigol, Chairman/Director	10,040,331	4.0893
	Mr. Taufique Sayeed Saigol, Chief Executive Officer/Director	10,827,332	4.4099
	Mr. Sayeed Tariq Saigol, Director	315,847	0.1286
	Mr. Waleed Tariq Saigol, Director	70,937	0.0289
	Mr. Danial Taufique Saigol, Director	2,500	0.0010
	Mr. Zamiruddin Azar, Director	5,930	0.0024
	Mr. Arif Ijaz, Director	2,500	0.0010
	Mrs. Shehla Tariq Saigol, spouse of Mr. Tariq Sayeed Saigol	450,216	0.1834
		21,715,593	8.8445

	Categories of Shareholders	Shares Held	Percentage of Capital
5.2	**Associated Companies, undertakings and related parties**		
	Zimpex (Private) Limited	45,496,057	18.5300
5.3	**NIT and ICP**		
	National Bank of Pakistan, Trustee Deptt.	3,325,868	1.3546
	IDBP (ICP UNIT)	16,615	0.0067
		3,342,483	1.3613
5.4	**Banks, Development Financial Institutions, Non-Banking Financial Institutions**	3,607,527	1.4693
5.5	**Insurance Companies**	3,833	0.0016
5.6	**Modarabas and Leasing**	209,596	0.0854
5.6 a	**Mutual Funds**		
	Prudential Stock Fund Ltd	3,793	0.0015
5.7	**Share holders holding Five Percent or more voting interest in the Company**		
	refer 5.2 & 5.8 b		
5.8	**General Public**		
	a) Individuals	34,255,649	13.9519
	b) Foreign Investor (s)	120,479,119	49.0698
5.9	**Joint Stock Companies**	16,028,863	6.5284
5.10	**Public Sector Companies and Corporations**	300,405	0.1224
5.11	**Executives**	8	0.0000
5.12	**Others**		
	Artal Restaurant Int Limited Employees Provident Fund	1,815	
	Fikree Development Corporation Limited	2,794	
	Hussain Trustees Limited	260	
	Securities & Exchange Commission of Pakistan	1	
	The Deputy Administrator Abandoned Properties Organization	3,045	
	The Ida Rieu Poor Welfare Association	354	
	The Karachi Stock Exchange (Guarantee) Limited-Future Cont.	61,425	
	The Okhai Memon Madressah Association	1	
	Trustees Al-Abbas Sugar Mills Ltd Employees Gratuity Fund	9,075	
	Trustees Moosa Lawai Foundation	3,751	
	United Executers & Trustee Company Limited	173	
	University of Sindh	596	
		83,290	0.0339
	Grand Total :	**245,526,216**	**100.0000**

KTM

Kohinoor Textile Mills Limited



Consolidated Financial Statements

for the Year Ended June 30, 2012

Directors' Report on Consolidated Financial Statements

The Directors are pleased to present the audited consolidated financial statements of the group for the year ended 30th June, 2012.

GROUP RESULTS

The Group has earned gross profit of Rs. 6,206 million as compared to Rs. 3,998 million of corresponding year. The group has earned pre-tax profit of Rs. 2,012 million this year as compared to pre-tax loss of Rs. 1,802 million during the last year.

The overall group financial results are as follows:

	2012	2011
	(Rupees in thousand)	
Gross sales	**26,607,655**	25,109,992
Gross profit	**6,205,770**	3,998,707
Profit from operations	**5,233,569**	1,399,596
Financial charges	**3,221,305**	3,201,186

Maple Leaf Cement Factory Limited

The subsidiary company of Kohinoor Textile Mills Limited has shown gross profit of 25.97% as compared to 16.64% of previous year.

ACKNOWLEDGEMENT

The Directors are grateful to the Group's members, financial institutions, customers and employees for their cooperation and support. They also appreciate the hard work and dedication of the employees working at various divisions.

For and on behalf of the Board

Taufique Sayeed Saigol
Chief Executive

Lahore
September 26, 2012

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Kohinoor Textile Mills Limited (the Holding Company) and its Subsidiary Company (together referred to as Group) as at 30 June 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Kohinoor Textile Mills Limited. The financial statements of the Subsidiary Company was audited by other firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such Company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Kohinoor Textile Mills Limited and its Subsidiary Company as at 30 June 2012 and the results of their operations for the year then ended.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Atif Bin Arshad

DATE: September 26, 2012

ISLAMABAD

Consolidated Balance Sheet
As at June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
370,000,000 (2011: 370,000,000) ordinary shares of Rupees 10 each		**3,700,000**	3,700,000
30,000,000 (2011: 30,000,000) preference shares of Rupees 10 each		**300,000**	300,000
		4,000,000	4,000,000
Issued, subscribed and paid up share capital	3	**2,455,262**	2,455,262
Reserves	4	**1,483,031**	659,690
Equity attributable to equity holders of the Holding Company		**3,938,293**	3,114,952
Non-controlling interest	5	**1,335,388**	1,046,234
Total equity		**5,273,681**	4,161,186
Surplus on revaluation of land and investment properties	6	**4,044,540**	9,233,617
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	7	**4,023,234**	5,372,895
Redeemable capital	8	**7,183,000**	7,983,000
Liabilities against assets subject to finance lease	9	**263,126**	507,209
Long term deposits	10	**6,219**	5,569
Retirement benefits	11	**50,926**	32,179
Deferred income tax liability	12	**140,175**	2,414,958
		11,666,680	16,315,810
CURRENT LIABILITIES			
Trade and other payables	13	**4,579,005**	4,744,951
Accrued mark-up	14	**943,532**	1,021,299
Short term borrowings	15	**7,613,495**	9,214,931
Current portion of non-current liabilities	16	**3,487,820**	1,988,378
		16,623,852	16,969,559
TOTAL LIABILITIES		**28,290,532**	33,285,369
CONTINGENCIES AND COMMITMENTS	17		
TOTAL EQUITY AND LIABILITIES		**37,608,753**	46,680,172

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

CHIEF EXECUTIVE OFFICER

	Note	2012	2011
		(Rupees in thousand)	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	18	**25,998,384**	34,950,932
Intangible assets	19	**15,081**	27,154
Investment properties	20	**1,728,886**	1,721,714
Long term investment		**3,037**	-
Long term loans to employees	21	**2,387**	2,531
Long term deposits	22	**103,865**	87,794
		27,851,640	36,790,125
CURRENT ASSETS			
Stores, spare parts and loose tools	23	**3,422,429**	3,361,339
Stock-in-trade	24	**2,433,344**	2,196,336
Trade debts	25	**1,562,614**	1,267,503
Loans and advances	26	**493,574**	386,392
Security deposits and short term prepayments	27	**144,562**	140,941
Accrued Interest		**1,408**	936
Other receivables	28	**373,246**	547,892
Short term investments	29	**33,733**	942,941
Taxation recoverable		**443,474**	336,291
Cash and bank balances	30	**848,729**	709,476
		9,757,113	9,890,047
TOTAL ASSETS		**37,608,753**	46,680,172

DIRECTOR

Consolidated Profit and Loss Account

For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
SALES	31	**26,607,655**	25,109,992
COST OF SALES	32	**(20,401,885)**	(21,111,285)
GROSS PROFIT		**6,205,770**	3,998,707
DISTRIBUTION COST	33	**(1,248,624)**	(2,071,695)
ADMINISTRATIVE EXPENSES	34	**(427,128)**	(425,467)
OTHER OPERATING EXPENSES	35	**(305,706)**	(235,965)
		(1,981,458)	(2,733,127)
		4,224,312	1,265,580
OTHER OPERATING INCOME	36	**1,009,257**	134,016
PROFIT FROM OPERATIONS		**5,233,569**	1,399,596
FINANCE COST	37	**(3,221,305)**	(3,201,186)
PROFIT / (LOSS) BEFORE TAXATION		**2,012,264**	(1,801,590)
TAXATION	38	**(240,765)**	(389,064)
PROFIT / (LOSS) AFTER TAXATION		**1,771,499**	(2,190,654)
SHARE OF PROFIT / (LOSS) ATTRIBUTABLE TO:			
EQUITY HOLDERS OF HOLDING COMPANY		**1,338,740**	(1,374,209)
NON-CONTROLLING INTEREST			
Dividend on preference shares		**52,076**	52,678
Share in profit / (loss) for the year		**380,683**	(869,123)
		432,759	(816,445)
		1,771,499	(2,190,654)
EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED (Rupees)	42	**5.45**	(6.19)

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
PROFIT / (LOSS) AFTER TAXATION	**1,771,499**	(2,190,654)
OTHER COMPREHENSIVE LOSS		
Deficit arising on remeasurement of available for sale investment to fair value	**-**	(165,630)
Reclassification adjustment for gain included in profit and loss	**(670,676)**	-
Deferred income tax relating to surplus on available for sale investment	**-**	43,478
Other comprehensive loss for the year - net of tax	**(670,676)**	(122,152)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**1,100,823**	(2,312,806)
SHARE OF TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:		
EQUITY HOLDERS OF HOLDING COMPANY	**814,813**	(1,478,359)
NON-CONTROLLING INTEREST	**286,010**	(834,447)
	1,100,823	(2,312,806)

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

Consolidated Cash Flow Statement

For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	39	**5,353,514**	4,663,795
Finance cost paid		**(3,211,842)**	(1,786,882)
Workers' profit participation fund paid		**(8)**	(13,397)
Compensated absences paid		**-**	(6,904)
Income tax paid		**(269,914)**	(204,057)
Net (increase) / decrease in long term deposits		**(15,421)**	1,163
Net cash generated from operating activities		**1,856,329**	2,653,718
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		**(380,416)**	(854,850)
Capital expenditure on intangible assets		**-**	(9,836)
Capital expenditure on investment properties		**(5,539)**	-
Long term loan to employees		**144**	762
Investments made		**(18,037)**	(174)
Interest received		**17,429**	5,787
Proceeds from sale of property, plant and equipment		**321,346**	121,335
Proceeds from sale of investments		**930,260**	8,715
Proceeds from sale of non current-assets classified as held for sale		**-**	119,200
Advance against purchase of land received back		**-**	100,000
Dividends received		**459**	27,980
Net cash from / (used in) investing activities		**865,646**	(481,081)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**-**	150,000
Repayment of long term financing		**(880,301)**	(771,948)
Short term borrowings - net		**(1,601,436)**	(916,342)
Repayment of liabilities against assets subject to finance lease		**(94,134)**	(70,523)
Repayment of redeemable capital		**(6,800)**	(6,800)
Dividend paid		**(51)**	(1)
Net cash used in financing activities		**(2,582,722)**	(1,615,614)
Net increase in cash and cash equivalents		**139,253**	557,023
Cash and cash equivalents at the beginning of the year		**709,476**	152,453
Cash and cash equivalents at the end of the year		**848,729**	709,476

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

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

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY										
		Reserves									
		Capital reserves			Revenue reserves						
	Share capital	Share premium	Fair vlue reserve	Sub-total	General reserve	Unappropriated profit/(accumu-lated loss)	Sub-total	Total reserves	Total	Non-controlling interest	Total equity
	(Rupees in thousand)										
Balance as at 30 June 2010	1,455,262	144,919	628,077	772,996	1,450,491	(760,559)	689,932	1,462,928	2,918,190	2,405,263	5,323,453
Ordinary shares issued other than through a right issue during the year ended 30 June 2011	1,000,000	-	-	-	-	-	-	-	1,000,000	-	1,000,000
Issue of ordinary shares to non-controlling interest holders	-	-	-	-	-	-	-	-	-	290	290
Transferred from surplus on revaluation of property, plant and equipment (net of tax)	-	-	-	-	-	89,643	89,643	89,643	89,643	49,059	138,702
Reversal of surplus on revaluation of disposal of property, plant and equipment (net of tax)	-	-	-	-	-	7,463	7,463	7,463	7,463	4,085	11,548
Increase in interest of equity holders of the Holding Company	-	-	-	-	-	578,015	578,015	578,015	578,015	(578,015)	-
Dividend paid to non-controlling interest holders	-	-	-	-	-	-	-	-		(1)	(1)
Loss for the year	-	-	-	-	-	(1,374,209)	(1,374,209)	(1,374,209)	(1,374,209)	(816,445)	(2,190,654)
Other comprehensive loss for the year	-	-	(104,150)	(104,150)	-	-	-	(104,150)	(104,150)	(18,002)	(122,152)
Total comprehensive loss for the year	-	-	(104,150)	(104,150)	-	(1,374,209)	(1,374,209)	(1,478,359)	(1,478,359)	(834,447)	(2,312,806)
Balance as at 30 June 2011	2,455,262	144,919	523,927	668,846	1,450,491	(1,459,647)	(9,156)	659,690	3,114,952	1,046,234	4,161,186
Surplus on revaluation realised on disposal of land	-	-	-	-	-	11,672	11,672	11,672	11,672	-	11,672
Decrease in interest of equity holders of the Holding Company	-	-	-	-	-	(3,144)	(3,144)	(3,144)	(3,144)	3,144	-
Profit for the year	-	-	-	-	-	1,338,740	1,338,740	1,338,740	1,338,740	432,759	1,771,499
Other comprehensive loss for the year	-	-	(523,927)	(523,927)	-	-	-	(523,927)	(523,927)	(146,749)	(670,676)
Total comprehensive income for the year	-	-	(523,927)	(523,927)	-	1,338,740	1,338,740	814,813	814,813	286,010	1,100,823
Balance as at 30 June 2012	**2,455,262**	**144,919**	**-**	**144,919**	**1,450,491**	**(112,379)**	**1,338,112**	**1,483,031**	**3,938,293**	**1,335,388**	**5,273,681**

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

1. THE GROUP AND ITS OPERATIONS

Kohinoor Textile Mills Limited ("the Holding Company") and its Subsidiary, Maple Leaf Cement Factory Limited (together, the Group) are public limited companies incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and their shares are quoted on all Stock Exchanges in Pakistan. The Group's registered office is situated at 42-Lawrence Road, Lahore. The Holding Company holds 64.50% (2011: 64.63%) shares of Maple Leaf Cement Factory Limited. The principal activity of the Holding Company is manufacturing of yarn and cloth, processing and stitching the cloth and trade of textile products. The Subsidiary Company is engaged in production and sale of cement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

a) Statement of Compliance

These consolidated 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 the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting Convention

These consolidated financial statements have been prepared under the historical cost convention, except for the certain financial instruments, investment properties and freehold land which are carried at their fair values and certain employee retirement benefits which are carried at their present values.

c) Critical accounting estimates and judgments

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

Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on market indications existing at balance sheet date.

Useful lives, patterns of economic benefits and impairments

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

Inventories

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

Taxation

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

Employee benefits

The Subsidiary Company operates approved funded gratuity scheme covering all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. The gratuity scheme is managed by trustees. The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis.

The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market-related value at the beginning of the year. Gratuity cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

Provisions for doubtful debts

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

d) Amendments to published approved standards that are effective in current year and are relevant to the Group

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

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

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

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

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

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

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

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

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

IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2013). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

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

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

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

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

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

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

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

2.2 Basis of consolidation

Subsidiary Company is that entity in which Holding Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the Subsidiary Company is included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of Subsidiary Company have been consolidated on a line by line basis and carrying value of investment held by the Holding Company is eliminated against Holding Company's share in paid up capital of the Subsidiary Company.

Intragroup balances and transactions have been eliminated.

Non-controlling interest is that part of net results of the operations and of net assets of Subsidiary Company attributable to interest which are not owned by the Holding Company. Non-controlling interest is presented as separate item in the consolidated financial statements.

2.3 Employee benefit

a) Defined contribution plan

The Group operates an approved funded provident fund scheme covering all permanent employees. Equal monthly contributions are made both by the Group and employees to the fund. The Group's contributions to the fund are charged to consolidated profit and loss account.

b) Defined benefit plan

The Subsidiary Company operates approved funded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to consolidated profit and loss account.

The amount recognised in the consolidated balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses.

Cumulative net unrecognised actuarial gains and losses at the end of previous year which exceeds 10% of the present value of the Subsidiary Company's gratuity are amortized over the average expected remaining working lives of the employees.

c) Liability for employees' compensated absences

The Subsidiary Company accounts for the liability in respect of employees' compensated absences in the year in which these are earned. Provision to cover the obligations is made using the current salary level of employees.

2.4 Taxation

Current

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

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 the assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

2.5 Provisions

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

2.6 Property, plant, equipment and depreciation

Owned

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition. Freehold land is stated at revalued amount less any identified impairment loss. Capital work-in-progress is stated at cost less any identified impairment loss. All cost or expenditure attributable to work-in-progress are capitalized and apportioned to buildings and plant and machinery at the time of commencement of commercial operations of the Subsidiary Company.

Cost in relation to certain plant and machinery of the Subsidiary Company represents historical cost, exchange differences capitalized up to 30 June 2004 and the cost of borrowings during the construction period in respect of loans and finances taken for the specific projects.

Transactions relating to jointly owned assets of the Subsidiary Company with Pak American Fertilizers Limited (PAFL), are recorded on the basis of advices received from the housing colony.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated profit and loss account during the period in which they are incurred.

Leased

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

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

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

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

Depreciation

Depreciation on property, plant and equipment is charged to consolidated profit and loss account applying the reducing balance method except that straight-line method is used for the plant and machinery and buildings of Subsidiary Company relating to dry process plant after deducting residual value, so as to write off the cost / depreciable amount of the asset over their estimated useful lives at the rates given in Note 18.1. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off. The residual values and useful lives of assets are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

Derecognition

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

2.7 Investment properties

Land and buildings held for capital appreciation or to earn rental income are classified as investment properties. Investment properties are carried at fair value which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The valuation of the properties is carried out with sufficient regularity.

Gain or loss arising from a change in the fair value of investment properties is recognised in the consolidated profit and loss account for the year in which it arises.

2.8 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognised at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditure relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

2.9 Investments

Classification of investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

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

The Group assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Group applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments.

a) Investment at fair value through profit or loss

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

b) Held-to-maturity

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

c) Available-for-sale

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

Quoted

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

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 "Financial Instruments: Recognition and Measurement".

2.10 Inventories

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

Stores, spare parts and loose tools

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

Stock-in-trade

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

(i) For raw materials:	Annual average basis.
(ii) For work-in-process and finished goods:	Average manufacturing cost including a portion of production overheads.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock / rags are valued at net realizable value.

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

2.11 Trade and other receivables

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

2.12 Borrowings

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

2.13 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognised in the consolidated profit and loss account.

2.14 Trade and other payables

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

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.16 Share capital

Ordinary shares are classified as share capital.

2.17 Revenue recognition

Revenue from different sources is recognised as under:

a) Revenue from local sales is recognised on dispatch of goods to customers while in case of export sales it is recognised on the date of bill of lading.

b) Dividend on equity investments is recognised when right to receive the dividend is established.

c) Profit on deposits with banks is recognised on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.18 Foreign currencies

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the consolidated profit and loss account.

2.19 Financial instruments

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

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

2.20 Impairment

a) Financial assets

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

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised wherever the carrying amount of the assets exceeds their recoverable amount. Impairment losses are recognised in consolidated profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that assets.

2.21 Derivative financial instruments

Derivative that do not qualify for hedge accounting are recognised in the consolidated balance sheet at estimated fair value with corresponding effect to consolidated profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

2.22 Segment reporting

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

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

The Group has four reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibers), Weaving (Producing different quality of greige fabric using yarn), Processing and Home Textile (Processing greige fabric for production of printed and dyed fabric and manufacturing of home textile articles) and Cement.

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

2.23 Dividend and other appropriations

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

2.24 Off setting

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

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2012	2011		2012	2011
(Number of Shares)			(Rupees in thousand)	
1,596,672	1,596,672	Ordinary shares of Rupees 10 each allotted on reorganisation of Kohinoor Industries Limited	**15,967**	15,967
26,156,000	26,156,000	Ordinary shares allotted under scheme of arrangement of merger of Part II of Maple Leaf Electric Company Limited	**261,560**	261,560
26,858,897	26,858,897	Ordinary shares allotted under scheme of arrangement of merger of Kohinoor Raiwind Mills Limited and Kohinoor Gujar Khan Mills Limited	**268,589**	268,589
38,673,628	38,673,628	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**386,736**	386,736
152,241,019	152,241,019	Ordinary shares of Rupees 10 each issued as fully paid in cash	**1,522,410**	1,522,410
245,526,216	245,526,216		**2,455,262**	2,455,262

3.1 Zimpex (Private) Limited which is an associated company held 45,496,057 (2011: 45,496,057) ordinary shares of Holding Company of Rupees 10 each as at 30 June 2012.

	Note	2012	2011
		(Rupees in thousand)	

4. RESERVES

Composition of reserves is as follows:

	Note	2012	2011
Capital			
Share premium	4.1	**144,919**	144,919
Fair value reserve - net of deferred tax	4.2	**-**	523,927
		144,919	668,846
Revenue			
General reserve		**1,450,491**	1,450,491
Accumulated loss		**(112,379)**	(1,459,647)
		1,338,112	(9,156)
		1,483,031	659,690

4.1 This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

4.2 Fair value reserve - net of deferred tax

	2012	2011
Balance as at 01 July	**523,927**	628,077
Add: Fair value adjustment on investment in Security General Insurance Company Limited during the year	**-**	(141,220)
Less: Reclassification adjustment for gain included in profit and loss	**(523,927)**	-
Less: Related deferred tax on investment in Security General Insurance Company Limited	**-**	37,070
Balance as at 30 June	**-**	523,927

5. NON-CONTROLLING INTEREST

	2012	2011
Opening balance	**1,046,234**	2,405,263
Add / (less): Share during the year		
- Issue of shares to non-controlling interest holders	**-**	290
- Reclassification adjustment for gain included in profit and loss	**(146,749)**	(18,002)
- Transferred from surplus on revaluation of property, plant and equipment (net of tax)	**-**	49,059
- Reversal of surplus on revaluation of disposal of property, plant and equipment (net of tax)	**-**	4,085
- Decrease / (increase) in interest of equity holders of the holding company	**3,144**	(578,015)
- Profit / (loss) for the year	**432,759**	(816,445)
	289,154	(1,359,028)
Less : Dividend paid on preference shares	**-**	(1)
	1,335,388	1,046,234

	Note	2012	2011
		(Rupees in thousand)	

6. SURPLUS ON REVALUATION OF LAND AND INVESTMENT PROPERTIES

Investment properties		**1,263,592**	1,263,592
Property, plant and equipment		**2,780,948**	7,970,025
		4,044,540	9,233,617

7. LONG TERM FINANCING

From banking companies and other financial institutions - secured

	Note	2012	2011
Holding Company			
Long term loans	7.1	**846,817**	1,172,199
Long term musharika	7.2	**254,586**	703,748
		1,101,403	1,875,947
Subsidiary Company			
Long term loans	7.4	**4,400,784**	4,503,858
		5,502,187	6,379,805
Less: Current portion shown under current liabilities		**1,483,747**	1,014,387
		4,018,440	5,365,418
Holding Company			
Other loans-unsecured			
Kohinoor Sugar Mills Limited (KSML)	7.10	**4,794**	4,794
Kohinoor Industries Limited (KIL)		**-**	2,683
		4,794	7,477
		4,023,234	5,372,895

LENDER	2012	2011	TOTAL FACILITY	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	..........RUPEES IN THOUSAND........							
7.1 Long term loans								
NIB Bank Limited	88,194	100,000	100,000	3 Months KIBOR + 2%	Thirty two equal monthly installments commenced from July 2011 and ending on February 2014.	Quarterly	Quarterly	First pari passu charge over all present and future current assets of the Company for Rupees 447 million. Exclusive charge on plant and machinery imported under LTF facility for Rupees 400 million and personal guarantees of the sponsor directors.
NIB Bank Limited	101,206	150,006	300,000	7%	Twenty four equal quarterly installments after expiry of grace period of one and a half year commenced from April 2005 and ending on September 2014.	-	Quarterly	First pari passu charge over fixed assets of Raiwind Division and personal guarantees of the sponsor directors.
NIB Bank Limited	41,667	50,000	50,000	3 Months KIBOR + 2%	Thirty two monthly installments commenced from July 2011 and ending on February 2014.	Quarterly	Quarterly	Collateral covering the exposure including charges on both current and fixed assets of the Company and personal guarantees of the sponsor directors.
NIB Bank Limited	-	31,836	76,000	SBP Refinance rate + 2%	Ten equal quarterly installments commenced on April 2008 and ended on July 2011 including grace period of ten months.	-	Quarterly	Exclusive charge on the plant and machinery imported under the LTF facility for Rupees 400 million and personal guarantees of the sponsor directors.
Allied Bank Limited	-	7,232	300,000	7%	Sixteen equal quarterly installments commenced from July 2007 and ended on April 2012 including grace period of one year.	-	Quarterly	First exclusive charge on imported machinery.
Saudi Pak Industrial and Agricultural Investment Company Limited	93,750	125,000	250,000	3 Months KIBOR + 1.7%	Eight equal semi annual installments commenced from December 2008 and ending on June 2013 including grace period of one year.	Quarterly	Quarterly	First pari passu charge by way of hypothecation on all present and future plant and machinery of the Company and by way of mortgage on land measuring 121 Acres, two kanal and one marla, situated at Main Peshawar Road, Rawalpindi with 25% margin.

LENDER	2012	2011	TOTAL FACILITY	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	..........RUPEES IN THOUSAND........							
Syndicated term finance (Note 7.3)								
Bank Al-Falah Limited	296,250	417,500	500,000	3 Months KIBOR + 1.5%	Nineteen equal quarterly installments commenced from October 2009 and ending on April 2014.	Quarterly	Quarterly	First joint pari passu charge on surplus land for Rupees 467 million.
Faysal Bank Limited	193,500	250,500	300,000	3 Months KIBOR + 1.5%	Nineteen equal quarterly installments commenced from October 2009 and ending on April 2014.	Quarterly	Quarterly	First pari passu charge over fixed assets of the Company for Rupees 400 million with 25% margin.
Pak Libya Holding Company Limited	32,250	40,125	50,000	3 Months KIBOR + 1.5%	Nineteen equal quarterly installments commenced from October 2009 and ending on April 2014.	Quarterly	Quarterly	First joint pari passu charge on surplus land for Rupees 66.67 million.
	522,000	708,125	850,000					
Total	**846,817**	**1,172,199**	**1,926,000**					
7.2 Long term musharika (Note 7.3)								
Standard Chartered Bank (Pakistan) Limited	129,085	167,085	200,000	3 Months KIBOR + 1.5%	Nineteen equal quarterly installments commenced from October 2009 and ending on April 2014.	Quarterly	Quarterly	First pari passu charge on land at Rawalpindi Division of Rupees 266.66 million.
Allied Bank Limited	61,001	456,413	568,750	3 Months KIBOR + 1.5%	Nineteen equal quarterly installments commenced from October 2009 and ending on April 2014.	Quarterly	Quarterly	First pari passu charge over movable fixed assets of Rawalpindi Division and surplus piece of land measuring 43 Acres, 7 kanal and 12 marlas, situated at Main Peshawar Road of Rupees 933.33 million.
The Bank of Khyber	64,500	80,250	100,000	3 Months KIBOR + 1.5%	Nineteen equal quarterly installments commenced from October 2009 and ending on April 2014.	Quarterly	Quarterly	First pari passu charge over land measuring 121 Acres, situated at Main Peshawar Road of Rupees 106.666 million.
Total	**254,586**	**703,748**	**868,750**					

7.3 Syndicated term finance facility and musharika facility was arranged by Standard Chartered Bank (Pakistan) Limited as syndicate agent and investment agent.

LENDER	2012	2011	TOTAL FACILITY	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	..........RUPEES IN THOUSAND........							
7.4 Long term loans								
Habib Bank Limited	439,178	614,849	1,160,000	9.70%	Nine semi annual installments commenced on June 2010 and ending on June 2013.	-	Quarterly	First pari passu equitable hypothecation/ mortgage charge of Rupees 2,250 million on all present and future fixed assets of Subsidiary Company and personal guarantees of the directors of Subsidiary Company.
Habib Bank Limited (Note 7.5)	740,519	790,519	790,520	6 Months KIBOR + 3%	Three equal quarterly installments of Rupees 25 million each commenced on January 2012 and ended on June 2012 and twenty six equal quarterly installments of Rupees 27.52 million commenced on September 2012 and ending on December 2018.	Semi-annually	Quarterly	First pari passu equitable hypothecation/ mortgage charge of Rupees 2,250 million on all present and future land, building and plant and machinery and personal guarantee along with PNWS of the directors of Subsidiary Company and subordination of the entire sum of directors/sponsors loan outstanding at any point in time.
HSBC Bank Middle East Limited (Note 7.6)	190,476	-	200,000	6 Months KIBOR + 1.25%	Twenty one equal quarterly installments commenced on May 2012 and ending on May 2017.	Semi-annually	Semi-annually	First pari passu charge of Rupees 200 million over present and future assets of the Subsidiary Company and ranking hypothecation charge for Rupees 120 million over present and future current assets and personal guarantees of directors of Subsidiary Company.
Allied Bank Limited (Note 7.7)	1,497,000	1,498,200	1,500,000	3 Months KIBOR + 1%	Twenty six quarterly installments commenced on September 2011 and ending on December 2018 as per following schedule:	Quarterly	Quarterly	First pari passu charge over all present and future fixed assets of Subsidiary Company amounting to Rupees 3,333 million.
Allied Bank Limited (Note 7.8)	1,533,611	1,600,290	1,600,290	-	Twenty four equal quarterly installments commencing from March 2012.	Quarterly	Quarterly	First pari passu charge over all present and future fixed assets of Subsidiary Company amounting to Rupees 3,333 million.
Total	**4,400,784**	**4,503,858**	**5,250,810**					

Period	**(Rupees in thousand)**
September 2012-June 2015	37,500
September 2015-June 2016	44,500
September 2016-June 2017	56,000
September 2017-June 2018	70,000
September 2018-December 2018	181,000

7.5 During the financial year 2011, Company has entered into restructuring agreement with HBL for Rupees790.52 million. The purpose of this loan is to restructure the existing loans for import of Waste Heat Recovery Plant. As per terms of restructuring agreement, the principal balance is repayable in nine years including the grace period of twenty four months applicable from cut off date 31 December 2009.

Upto December 2015, HBL agrees to give a discount on applicable mark up rate, provided that mark up is serviced regularly and repayment term are strictly adhered.

After rebate, mark up rate will be as follows:

From January 2010 to December 2013 6M KIBOR + 1%

From January 2013 to December 2015 6M KIBOR + 2%

From January 2015 to December 2018 6M KIBOR + 3%

7.6 During the current year, the Company has restructured its existing short term loan of Rupees 160 million and running finance from HSBC Bank Middle East Limited into a medium term loan of Rupees 200 million.

7.7 Syndicated term finance facility was arranged by Allied Bank Limited as lead arranger and investment agent. Mark up on syndicated loan will be increased to 3M KIBOR + 1.7% after 5 years or complete settlement of deferred mark up, whichever is later.Mark up on syndicated loan will be increased to 3M KIBOR + 1.7% after 5 years or complete settlement of deferred mark up, whichever is later.

7.8 As a consequence of restructuring of Syndicated Term finance certificates and Islamic Sukuk Certificates and Musharaka agreement, outstanding markup amounting to Rupees 1,600.29 million for the period from December 2009 to March 2011 was deferred by way of Second Addendum to the Syndicated Term Finance Agreement and Third Supplementary Murabaha Finance Agreement dated 30 March 2010. It carries nil return. The restructuring referred above did not result on an overall basis in substantial modifications of the original financing terms.

7.9 Current portion of long term loan and musharika include overdue installments amounting to Rupees 166.114 million (2011: Rupees 97.118 million).

7.10 Kohinoor Sugar Mills Limited (KSML)

Liability has been settled after the reporting period through an agreement with KSML.

8. REDEEMABLE CAPITAL

	Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
Islamic Sukuk certificates under musharaka agreement		**8,289,800**	8,296,600
Less: Sukuk certificates paid during the year		**6,800**	6,800
Less: Current portion shown under current liabilities	16	**1,100,000**	306,800
		7,183,000	7,983,000

The Subsidiary Company has issued Islamic Sukuk Certificates under Musharaka agreement amounting to Rupees 8 billion during the year ended 30 June 2008. In the financial year 2010, the Subsidiary Company has issued new Sukuk Certificates (as Bridge Finance) to existing Sukuk lenders amounting to Rupees 300 million. During the current financial year, the Subsidiary Company has arranged to reschedule the repayment of additional sukuk Rupees 300 million which was due in bullet in March, 2012.

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The salient terms and conditions of secured Sukuk issue of Rupees 8.3 billion made by the Subsidiary Company are detailed below:

- Lead Arranger Allied Bank Limited (ABL)

- Shariah Advisor Meezan Bank Limited

- Purpose Balance sheet reprofiling and replacement of conventional debts with Shariah Compliant Financing.

- Investors Banks, DFIs, NBFI and any other person.

- Tenor of sukkuk issue of

Rupees 8.000 billion

9 Years including grace period of 2.75 years and repayment is to be made in 6.25 years.

Rupees 300.000 million

Repayment is to be made in bullet in March 2012

- Mark up rate

3 months KIBOR plus 100 bps

Mark up will be increased to 3 months KIBOR plus 170 bps after 5 years or complete settlement of deferred mark-up, whichever is later.

- Musharaka Investment repurchase

30 outstanding quarterly installments will be paid as per following schedule:

Period	Rupees in million
September 2012 - June 2015	200.00
September 2015 - June 2016	237.50
September 2016 - June 2017	300.00
September 2017 - June 2018	375.00
September 2018 - December 2018	966.50

- Rental and mark up paymentsRentals are payable quarterly in arrears. Rentals, during the year, have been calculated at mark up rates ranging from 12.88% to 14.57% (2011: 13.20% to 14.59%) per annum.

- Form & delivery of Sukuk

The Sukuk have been issued under section 120 "issue of securities and redeemable capital not based on interest" of the Companies Ordinance 1984. The Sukuk Certificates have been registered and inducted into the Central Depository System ("CDS") of the Central Depository Company of Pakistan("CDC").

- Security	First Sukuk issue of Rupees 8,000 million is secured against first Pari passu charge over all present and future fixed assets of the Company amounting to Rupees 10.667 million. New Sukuk certificates issued as bridge finance amounting to Rupees 300 million is secured against ranking charge on fixed assets and specific properties comprising of 393 kanals at Kala Shah Kaku and personal security of directors.
- Trustee / investors' agent	Allied Bank Limited
- Transaction structure	The facility as approved by Meezan Bank Limited, shariah advisor of the issue, is as follows: **(a)** Investors (as Investor Co-owners) and the Subsidiary Company (as managing Co-owner) have entered into a Musharaka Agreement as partners for the purpose of acquiring Musharaka assets from the Subsidiary Company (acting as Seller) and jointly own these Musharaka assets. **(b)** Investors have appointed ABL to act as Investor Agent for the Sukuk Issue. **(c)** Investor co-owners have contributed their share in the Musharaka in cash that has been utilised by managing co-owner for acquiring Musharaka assets. Managing co-owner has contributed its Musharaka share in kind. **(d)** Upon acquisition of Musharaka assets, Investor Agent and managing co-owner have executed Assets Purchase Agreement with the Company (acting as Seller). **(e)** The Subsidiary Company (as Issuer) has issued Sukuk Certificates to Investors that represent latter's undivided share in the Musharaka assets. **(f)** Investors have made the usufruct of their undivided share in the Musharaka assets available to the Subsidiary Company against rental payments linked to the rental bench marked. **(g)** The Subsidiary Company will purchase Musharaka share of investors on quarterly basis after expiry of 2.75 years from the rescheduling date.
- Sell Down / Transferability	As Sukuks have been induced into Central Depository Company (CDC), transfers are made in accordance with Central Depository Act, 1997 and other applicable CDC regulations.
- Call option	The issuer may, at any time after expiry of one year from the issue date, purchase all or any of the sukuk units from the certificate holders at their applicable Buy Out Prices (pre-purchase) to be calculated subject to the provisions of the trust deed, sale undertaking and the terms and conditions therein.

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2012 (Rupees in thousand)	2011
Future minimum lease payments		**1,308,483**	1,338,606
Less: Un-amortized finance charges		**111,284**	134,206
Less: Security deposits adjustable on expiry of lease term		**30,000**	30,000
Present value of future minimum lease payments		**1,167,199**	1,174,400
Less: Current portion shown under current liabilities	16	**904,073**	667,191
		263,126	507,209

9.1 The future minimum lease payments of Holding Company have been discounted at implicit interest rates which range from 6.30% to 17.40% (2011: from 6.00% to 18.85%) per annum to arrive at their present values. The lease rentals are payable in monthly and quarterly installments. In case of any default, an additional charge at the rate of 0.1 percent per day shall be payable. Taxes, repairs, replacements and insurance costs are to be borne by the Company. The lease agreements carry renewal and purchase option at the end of the lease term. There are no financial restrictions in lease agreements. These are secured by deposit of Rupees 20.874 million (2011: Rupees 22.098 million) included in long term deposits, demand promissory notes, personal guarantees and pledge of sponsors' shares in public limited companies.

9.2 The Subsidiary Company had entered into original lease agreement dated 17 February 2007 amounting to Rupees 280 million with Meezan Bank Limited (MBL) to acquire eight units of Preheater Cyclones. As per terms of original lease agreement the facility tenor was six years with a grace period of 18 months on principal component.

As per the lease agreement tenor of the lease facility is 3.75 years with grace period of 12 months from 1st post restructuring profit payment dated 17 May 2010. Principal amount is payable in 12 equal quarterly installments commencing from 17 May 2011. Mark up is payable quarterly in arrears starting from 17 May 2011. Lease facility carries profit at the rate of three months KIBOR plus 2.25% per annum with floor of 2.25% per annum and cap of 28% per annum. Effective mark-up rates, during the current financial year, ranged between 14.10% to 15.54% (2011: 14.93% to 15.88%) per annum. Facility is secured through exclusive ownership of leased assets in the name of MBL and personal guarantees of the Company's directors.

The Subsidiary Company has not paid principal amount of lease amounting Rupees 13.89 million from Meezan Bank which became over due on 17 May 2012, and it remained overdue at the year end and was grouped under current liabilities.

9.3 The Subsidiary Company, during the financial year ended 30 June 2006, had entered into a forward lease agreement with Islamic Corporation for Development of the private sector, Jeddah (ICD - a subsidiary of Islamic Development Bank) to finance power generation equipment of the expansion project of 6,700 tpd. The lease agreement is for a period of 8 years including a grace period of 2 years. The first rental had become due on 15 December 2008 whereas the final lease rentals will be due on 15 June 2014. The lease finance facility carries interest at the rate of six months U.S.$ LIBOR plus a spread of 2.5% per annum. The effective interest rate charged by ICD, during the current year, ranged between 2.90 % to 3.28 %(2011: 2.96% to 3.25%) per annum. The facility is secured against the first exclusive charge on power generation plant.

9.3.1 The Subsidiary Company has not paid principal amounting to Rupees 602.88 million to ICD for the period from 15 December 2009 and 15 June 2012 respectively. These installments were overdue at the year end and grouped under current liabilities.

The Subsidiary Company has entered into an interest rate swapping agreement with Standard Chartered Bank in respect of this lease finance facility. The agreement became effective from 02 February 2009 and has the following significant terms:

Notional amount	As per amortization schedule starting from USD 11.54 million in accordance with repayment schedule of the facility.
Maturity	16 June 2014
Mark-up to be paid by the Company on notional amount	2.45% per annum.
Mark-up (to be received)	USD-LIBOR-BBA six months except for the initial calculation period which shall be the linear interpolation of the 4 months and 5 months floating rate option.

9.4 Future minimum lease payments and their present values are regrouped as under:

	30 June 2012		30 June 2011	
	Not later than one year	Later than one year but not later than five years	Not later than one year	Later than one year but not later than five years
	------------------(Rupees in thousand)---------------			
Future minimum lease payments	**1,007,193**	**301,290**	769,647	568,959
Less: Unamortized finance charge	**103,120**	**8,164**	102,456	31,750
Less: Security deposits adjustable on expiry of lease term	**-**	**30,000**	-	30,000
Present value of future minimum lease payments	**904,073**	**263,126**	667,191	507,209

10. LONG TERM DEPOSITS

These represent interest-free security deposits from stockists and are repayable on cancellation or withdrawal of the dealerships. These are being utilized by the Subsidiary Company in accordance with the terms of dealership agreements.

11. RETIREMENT BENEFITS

	Note	2012	2011
		(Rupees in thousand)	
Accumulated compensated absences	11.1	**22,322**	19,149
Gratuity	11.2	**28,604**	13,030
		50,926	32,179

11.1 Accumulated compensated absences

Balance at the beginning of the year	**19,149**	19,629
Provision made during the year	**7,918**	6,424
Payments made during the year	**(4,745)**	(6,904)
Balance at the end of the year	**22,322**	19,149

11.2 Gratuity

The latest actuarial valuation of the Subsidiary Company's defined benefit plan, were conducted at 30 June 2012 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

	2012	2011
	(Rupees in thousand)	
The amounts recognized in the balance sheet are as follows:		
Present value of defined benefit obligation	**84,902**	82,275
Fair value of plan assets	**(52,099)**	(50,914)
Deficit in the plan	**32,803**	31,361
Unrecognized actuarial gain	**(4,199)**	(18,331)
Liability at end of the year	**28,604**	13,030
Liability as at beginning of the year	**13,030**	6,864
Charge for the year	**9,877**	10,391
Contribution made during the year	**(1,528)**	(4,225)
Amount transferred to the Subsidiary Company	**7,225**	-
Net liability at end of the year	**28,604**	13,030
Movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation at beginning of the year	**82,275**	77,070
Current service cost	**4,476**	4,397
Interest cost	**11,518**	9,248
Benefits paid	**(3,178)**	(4,225)
Actuarial gain	**(10,190)**	(4,215)
Present value of defined benefit obligation as at end of the year	**84,901**	82,275
The movement in the fair value of plan assets is as follows:		
Fair value of plan assets at beginning of the year	**50,914**	43,201
Expected return on plan assets	**7,128**	5,184
Contributions made during the year	**1,528**	4,225
Benefits paid during the year	**(3,178)**	(4,225)
Transferred to the Subsidiary Company	**(7,225)**	-
Actuarial gain	**2,932**	2,529
Fair value of plan assets as at end of the year	**52,099**	50,914
Actual return on plan assets	**10,060**	7,713
Plan assets comprise of:		
Term deposit receipts	**27,885**	24,192
National Investment Trust Units	**23,415**	20,508
Profit receivable from provident fund	**-**	503
Cash at bank	**798**	5,711
	52,098	50,914

	2012	2011
	(Rupees in thousand)	
Charged to profit and loss are as follows:		
Current service cost	**4,476**	4,397
Interest cost	**11,519**	9,248
Expected return on plan assets	**(7,128)**	(5,184)
Acturial losses charge	**1,010**	1,930
	9,877	10,391

Comparison of present value of defined benefit obligation

Comparison of present value of defined benefit obligation, the fair value of plan assets and the surplus of gratuity fund for five years is as follows:

	2012	2011	2010	2009	2008
	---------------- Rupees in thousand -------------				
Present value of defined benefit obligation	**(84,901)**	(82,275)	(77,070)	(60,082)	(50,663)
Fair Value of plan assets	**52,098**	50,914	43,201	47,997	61,382
(Deficit) / surplus in the plan	**(32,803)**	31,361	33,869	(12,085)	10,719
Experience adjustment on obligation	**(10,190)**	(4,215)	7,750	3,216	(1,653)
Experience adjustment on plan assets	**2,932**	2,529	(412)	(17,140)	(6,697)

The Subsidiary's Company's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19: "Employee Benefits".

12. DEFERRED INCOME TAX LIABILITY

This comprises of following :

	2012	2011
	(Rupees in thousand)	
Deferred tax liability on taxable temporary differences in respect of:		
- Accelerated tax depreciation	**4,123,000**	3,467,968
- Surplus on revaluation of operating fixed assets	**-**	2,114,100
- Surplus on revaluation of investment	**-**	238,717
	4,123,000	5,820,785
Deferred tax asset on deductible temporary differences in respect of:		
- Lease finances	**106,831**	137,482
- Unused tax losses	**3,540,652**	2,992,582
- Employees' compensated absences	**6,617**	5,552
- Minimum tax recoverable against normal tax charge in future years	**328,725**	270,211
	3,982,825	3,405,827
	140,175	2,414,958

12.1 Deferred tax asset relating to Subsidiary Company amounting to Rupees 1,100 million, on unused tax losses, has not been recognized in these consolidated financial statements being prudent. Management of Subsidiary Company is of the view that recognition of deferred tax asset shall be re-assessed as at 30 June 2013.

	Note	2012	2011
		(Rupees in thousand)	
13. TRADE AND OTHER PAYABLES			
Creditors		**1,146,984**	1,231,124
Bills payable - secured		**1,235,302**	1,333,468
Accrued liabilities		**673,729**	623,144
Security deposits, repayable on demand		**42,296**	43,741
Advances from customers		**312,085**	433,213
Contractors' retention money		**62,259**	55,665
Royalty and excise duty payable		**83,321**	17,951
Workers' profit participation fund		**40,032**	20,905
Workers' welfare fund		**7,686**	7,686
Excise duty payable		**517,051**	655,386
Unclaimed dividend		**4,163**	4,214
Withholding tax payable		**5,988**	30,817
Payable to employees' provident fund trust		**55,891**	39,121
Sales tax payable		**338,994**	223,204
Others		**53,224**	25,312
		4,579,005	4,744,951
14. ACCRUED MARK-UP			
Long term financing		**194,190**	250,410
Redeemable capital		**337,093**	391,012
Short term borrowings		**236,572**	279,355
Liabilities against assets subject to finance lease		**175,677**	100,522
		943,532	1,021,299
15. SHORT TERM BORROWINGS			
From banking companies - secured			
Short term running finances	15.1	**3,364,504**	5,607,276
Other short term finances	15.2	**3,088,618**	1,815,701
State Bank of Pakistan (SBP) refinances	15.3	**1,135,000**	1,435,000
Temporary bank overdraft	15.4	**25,373**	356,954
		7,613,495	9,214,931

15.1 The running finance facilities sanctioned by various banks aggregate to Rupees 4,452 million (2011: Rupees 6,841 million). The rates of mark-up range from 3.49% to 25% (2011: from 3.49% to 24.00%) per annum. These arrangements are secured by pledge of raw material, charge on current assets of the Company including hypothecation of work-in-process, stores and spares, letters of credit, firm contracts, book debts and personal guarantees of the sponsor directors.

15.2 The other short term finance facilities sanctioned by various banks aggregate to Rupees 4,524.5 million (2011: Rupees 2,426 million). The rates of mark-up range from 4.50% to 25.00% (2011: from 13.45% to 25.00%) per annum. These arrangements are secured by pledge of raw material, charge on current assets of the Company including hypothecation of work-in-process, stores and spares, letters of credit, firm contracts, book debts and personal guarantees of the sponsor directors.

15.3 The export refinance facilities sanctioned by various banks aggregate to Rupees 1,135 million (2011: Rupees 1,435 million). The rate of mark-up is 11.00 % (2011: from 8.50% to 11.00%) per annum. These arrangements are secured by way of charge on current assets of the Company and personal guarantees of the sponsor directors.

15.4 This represents temporary overdraft due to cheques issued by the Subsidiary Company in excess of balance with banks which will be presented for payment in subsequent period.

16. CURRENT PORTION OF NON-CURRENT LIABILITIES

		2012	2011
		(Rupees in thousand)	
Long term financing	7	**1,483,747**	1,014,387
Redeemable capital	8	**1,100,000**	306,800
Liabilities against assets subject to finance lease	9	**904,073**	667,191
		3,487,820	1,988,378

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

Holding company

a) The Company has filed an appeal before Appellate Tribunal Inland Revenue, Lahore for tax year 2003 under section 129/132 of Income Tax Ordinance, 2001, which is pending adjudication. The tax loss was restricted to Rupees 27.540 million against declared loss of Rupees 122.933 million thereby creating a demand of Rupees 12.396 million. In addition to the above, another appeal for tax year 2003 against order under section 221 of Income Tax Ordinance, 2001 dated 24 January 2009, on the disallowance of depreciation expense of Rupees 62.665 million has been filed before Appellate Tribunal Inland Revenue which is pending adjudication. This is a cross appeal. Although the learned Commissioner Inland Revenue (Appeals) has already annulled the order under section 221 of the Income Tax Ordinance, 2001, vide order dated 30 July 2009, the Taxation Officer has illegally repeated the original assessment. Therefore, an appeal has also been filed before Commissioner Inland Revenue under section 187 of Income Tax Ordinance, 2001 for tax year 2003, the appellate order of which is pending. The revenue involved on account of penalty was Rupees 17.484 million. The Company has strong grounds and is expecting favourable outcome.

b) The Company has filed an appeal before the Appellate Tribunal Inland Revenue under section 122(5A) / 122(1) / 129 of Income Tax Ordinance, 2001 for tax year 2004 which is pending adjudication. The loss for the year has been assessed at Rupees 255.684 million against declared loss of Rupees 255.886 million creating refund of Rupees 7.498 million. Department has also filed cross appeal mainly on issue of chargeability of 3.5% tax on local purchases amounting to Rupees 950.547 million. The Appellate Tribunal Inland Revenue has set-aside the order of Commissioner Inland Revenue (Appeals) and remanded back to Commissioner Inland Revenue (Appeals) with the direction to readjudicate the issue after considering the evidences produced. The Company has strong grounds and is expecting favourable outcome.

c) The Company has filed an appeal before the Appellate Tribunal Inland Revenue under section 122(5A) / 122(1) of Income Tax Ordinance, 2001 for tax year 2005, which is pending adjudication. The Income for the year has been assessed at Rupees 113.440 million against declared loss of Rupees 205.576 million creating payable of Rupees 74.576 million. Department has also filed cross appeal mainly on issue of chargeability of 3.5% tax on local purchases amounting to Rupees 828.839 million. The Appellate Tribunal

Inland Revenue has set-aside the order of Commissioner Inland Revenue (Appeals) and remanded back to Commissioner Inland Revenue (Appeals) with the direction to readjudicate the issue after considering the evidences produced. The Company has strong grounds and is expecting favourable outcome.

d) An appeal for the tax year 2010 has been filed before the Appellate Tribunal Inland Revenue under section 221 of the Income Tax Ordinance, 2001 for tax year 2010, which is pending adjudication. The income for the year has been assessed, creating payable amounting to Rupees 20.789 million. The appeal has been filed on the issue of minimum tax at the rate of 0.5% on turnover can be adjusted against tax deducted on exports. The Company has strong grounds and is expecting favourable outcome.

e) The Company and the tax authorities have filed appeals before different appellate authorities regarding sales tax and custom duty matters. Pending the outcome of appeals filed by the Company and tax authorities, no provision has been made in these financial statements which on the basis adopted by the authorities would amount to Rupees 64.02 million (2011: Rupees 35.555 million), since the Company has strong grounds against the assessments framed by the relevant authorities.

f) The Company has filed recovery suits in civil courts of Rupees 7.908 million (2011: Rupees 8.390 million) against various suppliers and customers for goods supplied by/ to them. Pending the outcome of the cases, no provision there against has been made in these financial statements since the Company is confident about favourable outcome of the cases.

g) The Company has filed a suit before Civil Court, Rawalpindi against demand raised by Sui Northern Gas Pipelines Limited (SNGPL) amounting to Rupees 125.830 million. No provision has been made in these financial statements, since the Company is confident about favourable outcome.

h) An appeal has been filed by Rawalpindi Cantonment Board (RCB) before Supreme Court of Pakistan against judgement passed by Lahore High Court whereby demand created by RCB of Rupees 7.812 million (2011: Rupees 7.812 million) was set aside. No provision has been made in these financial statements, since the Company is confident about favourable outcome of the case.

i) Three cases are pending before the Punjab Labour Appellate Tribunal, Shadman 1, Lahore regarding the reinstatement into service of three employees dismissed from their jobs. No provision has been made in these financial statements, since the Company is confident about favourable outcome of the cases.

j) The Company has not recognised fuel adjustment charges amounting to Rupees 75.596 million (2011: Rupees Nil) notified by National Electric Power Regulatory Authority (NEPRA), as the Company has obtained stay from Honorable Islamabad High Court, Islamabad against payment of fuel adjustment charges as billed by electric supply companies (IESCO/LESCO). The management based on advice of the legal counsel, believes that it has strong grounds of appeal and payment / accrual of such charges will not be required.

k) Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregate Rupees 243.391 million as at 30 June 2012 (2011: Rupees 249.620 million).

Subsidiary company

a) The Subsidiary has filed writ petitions before the Lahore High Court against the legality of judgment passed by the Customs, Excise and Sales Tax Appellate Tribunal whereby the Subsidiary was held liable on account of wrongful adjustment of input sales tax on raw materials and electricity bills; the amount involved pending adjudication before the Lahore High Court amounting to Rupees 13.25 million. No provision has been made in these financial statements in respect of the aforementioned matter as the management is confident that the ultimate outcome of this case will be in favour of the Subsidiary.

b) The Lahore High Court, upon the Company's appeal, vide its order dated 06 November 2001 has decided the matter in favour of the Subsidiary; however, the Collector of Customs has preferred a petition before the Supreme Court of Pakistan, which is pending adjudication. No provision has been made in these financial statements in respect of the above stated amount as the management is confident that the ultimate outcome of this case will be in favour of the Subsidiary.

c) The Federal Board of Revenue (FBR) has filed an appeal before the Supreme Court of Pakistan against the judgment delivered by the Lahore High Court in favour of the Subsidiary in a writ petition. The Subsidiary, through the said writ petition, had challenged the demand raised by the FBR for payment of duties and taxes on the plant and machinery imported by the Subsidiary pursuant to the exemption granted in terms of SRO 484 (I) / 92 dated 14 May 1992. The FBR, however, alleged that the said plant & machinery could be locally manufactured and duties and taxes were therefore not exempted. A total demand of Rupees 1,386.72 million was raised by the FBR out of which an amount of Rupees 269.33 million was deposited by the Subsidiary as undisputed liability.

d) The Customs Department has filed an appeal before the Supreme Court of Pakistan against the judgment of Sindh High Court, which held that dump trucks were part of plant and machinery and the Tribunal had rightly subjected them to concessionary rate of duty. The Subsidiary had paid excess customs duties amounting to Rupees 7.35 million on these trucks. The appeal is pending adjudication before the Supreme Court of Pakistan. No provision has been made in these financial statements as the management is confident that the ultimate outcome of this case will be in favour of the Subsidiary.

e) The Subsidiary has filed an appeal before the Supreme Court of Pakistan against the judgment of the Division Bench of the High Court of Sindh at Karachi. The Division Bench, by judgment dated 15 September 2008, has partly accepted the appeal by declaring that the levy and collection of infrastructure cess / fee prior to December 28, 2006 was illegal and ultra vires and after December 28, 2006, it was legal and the same was collected by the Excise Department in accordance with law. The appeal has been filed against the declaration that after 28 December 2006, the Excise Department has collected the infrastructure cess / fee in accordance with law. The Province of Sindh and Excise and Taxation Department has also preferred an appeal against the judgment decided against them. The Supreme Court consolidated both the appeals and were set aside. Thereafter, law has been challenged in constitution petition in the Sindh High Court Karachi. Stay has been granted by the High Court on 31 May 2011 on payment of 50% of the cess to the Excise Department and on furnishing of bank guarantee for remaining 50% to them. The petition is pending for hearing and stay is continuing.

The total financial exposure of the Subsidiary involved in the case amounts to Rupees 59.56 million. In the event of an adverse decision in appeal, the guarantees aggregating to Rupees 135.70 million furnished by the Subsidiary will be encashed by the Government of Sindh. No provision has been made in these financial statements as the management is confident that the ultimate outcome of this case will be in favour of the Subsidiary.

f) Competition Commission of Pakistan, vide order dated 27 August 2009, has imposed penalty on 20 cement factories of Pakistan at the rate of 7.5% of the turnover value. The Commission has imposed penalty amounting to Rupees 586.19 million on the Subsidiary. The Commission has alleged that provisions of section 4(1) of the Competition Commission Ordinance, 2007 have been violated. However, after the abeyance of Islamabad High Court pursuant to the judgment of Honorable Supreme Court of Pakistan dated 31 July 2009, the titled petition has become infructuous and the Company has filed a writ petition no. 15618/2009 before the Lahore High Court. No provision has been made in these financial statements as the management is confident that the ultimate outcome of this case will be in favour of the Subsidiary.

g) The Additional Collector, Karachi has issued show cause notice alleging therein that the Subsidiary has wrongly claimed the benefits of SRO No. 575(I)/2006 dated 05 June 2006 on the import of pre-fabricated buildings structure. Consequently, the Subsidiary is liable to pay Government dues amounting to Rupees 5.55 million. The Subsidiary has submitted reply to the show cause notice and currently proceedings are pending before the Additional Collector. No provision has been made in these financial statements as the management is confident that the ultimate outcome of this case will be in favour of the Subsidiary.

h)The customs department has filed an appeal against the judgment dated 19 May 2009, passed in favour of the Subsidiary pursuant to which the Subsidiary is not liable to pay custom duty amount of Rupees 0.59 million relating to import of some machinery vide L/C No. 0176-01-46-518-1201 in terms of SRO 484(1)/92 dated May 14, 1992, and SRO 978(1)/95 dated October 04, 1995. The appeal is pending before the Honorable Lahore High Court.

i) The Subsidiary has preferred an appeal against the order in original No. 576/99 dated 18 September 1999, whereby the Subsidiary was denied the benefit of SRO 484(1)/92 dated May 14, 1992, and SRO 978(1)/95 dated 04 October 1995. Accordingly the demand of Rupees 0.81 million was raised against the Subsidiary. Appeal was dismissed by Central Excise and Sales Tax Tribunal on 19 May 2009. The Subsidiary has filed petition before the Honorable Lahore High Court, which is pending adjudication. A rectification application under section 194 is also pending before the Customs, Federal Excise and Sales Tax, Appellate Tribunal beside the customs reference. No provision has been made in these financial statements as the management is confident that the ultimate outcome of this case will be in favour of the Subsidiary.

j)Through order in original No. 18/2009 dated December 24, 2009 ('ONO'), the Additional Commissioner Inland Revenue, (Legal), Large Taxpayers Unit, Lahore ('ACIR - Legal') finalized the adjudication proceedings in respect of audit conducted by departmental auditors and raised a demand of principal Sales Tax and Federal Excise duty ('FED') aggregating to Rupees 336.74 million along with default surcharge and penalties. The Subsidiary has preferred appeals against this ex parte order under the applicable provisions of Sales Tax Act and Federal Excise Act before Commissioner Inland Revenue, Appeals CIR(A). Such appeals have not yet been taken up for hearing by Commissioner Inland Revenue, Appeals [CIR(A)]. No provision has been made in these financial statements as the management is confident that the ultimate outcome of this case will be in favour of the Subsidiary.

k) Deputy Commissioner Inland Revenue has ordered against Subsidiary requiring a demand of Rupees 82.53 million against default surcharge and penalty of Sales Tax and Federal Excise Duty. The imposed levies on account of default surcharge and penalties amounting Rupees 15.891 million were quashed by Appellate Tribunal Inland Revenue and Commissioner Inland Revenue (Appeals) respectively in favour the Subsidiary. Management of the Subsidiary is confident that ultimate outcome of the case will be in favour of the Subsidiary and hence no provision is provided for in the financial statements.

l) In consequence of tax audit conducted by Income Tax Department (the department) for tax year 2003, the department, vide order dated 31 December 2008, has amended the deemed assessment in respect of tax year 2003 under section 122(5) of the ordinance and the Subsidiary's taxable income has been enhanced by Rupees 177.75 million. The Subsidiary has preferred an appeal against aforesaid amendment order before the Commissioner of Inland Revenue (Appeals), which was disposed off through order dated 01 November 2009.

Through such order, while Commissioner of Inland Revenue (Appeals) upheld the departmental contentions on certain issues, a substantial relief was extended, reducing the taxable income for the year by an amount of Rupees 107.00 million as against the additions towards taxable income aggregating to Rs. 173.00 million contested by the Subsidiary. The Subsidiary has preferred further appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of Commissioner of Inland Revenue (Appeals) against the disallowances confirmed by him through order. Company's appeal is pending for hearing by Appellate Tribunal Inland Revenue (ATIR).

m) Additional Commissioner Inland Revenue passed an order u/s 122(5A) and made additions of Rupees 21.60 million in Company's taxable income and raised a tax demand of Rs. 1.90 million against the Subsidiary. The Company has preferred an appeal before Commissioner of Inland Revenue (Appeals) against the above addition in taxable income which relates to the admissibility of initial allowance on exchange loss capitalized u/s 76(5) of the Ordinance. Through appellate order dated 30 May 2011 passed by the Commissioner Inland Revenue (Appeals) (CIR(A)), company's appeal against amendment order dated 10 March 2010 earlier passed under section 122 (5A) of Ordinance has been disposed off. Through such order, while company's appeal on the issue of admissibility of initial allowance on exchange loss capitalized under section 76(5) of Income Tax Ordinance, 2001, has not been entertained, relief has been allowed regarding the issue of inclusion of "profit on sale of fixed assets" in turnover for computing minimum tax liability under section 113 of the Ordinance pending before appellate tribunal. The management is confident that the ultimate outcome of this case will be in favour of the Subsidiary.

n) The deemed assessment earlier made under section 120(1) of the Ordinance has been rectified through order dated 10 May 2011 passed u/s 221 of the Ordinance on the grounds that minimum tax liability payable u/s 113 of the Ordinance of Rs 34.60 million for the tax year 2010 was leviable in addition to taxes payable under various final tax regimes. The Subsidiary has contested the rectification order in appeal before the ATIR, which has not been taken up for hearing to date.

o) The deemed assessment earlier made under section 120(1) of the Ordinance has been rectified through order dated 02 February 2011 passed u/s 221 of the Ordinance on the grounds that minimum tax liability payable u/s 113 of the Ordinance of Rupees 35.69 million was also leviable in addition to taxes payable under various final tax regimes. The Subsidiary Company has contested the rectification order in appeal before the ATIR, which has not been taken up for hearing to date.

p) Through order in original No.18/2009 dated December 24, 2009, the tax department finalized the adjudication proceeding in respect of audit conducted by the department auditors and raised a demand of principal sales tax and FED aggregating to Rupees 336.74 million along with applicable default surcharges and penalties. The Subsidiary preferred appeal against such ONO under the applicable provisions of Sales Tax Act, 1990 & Federal Excise Act, 2005 before the Commissioner of Inland Revenue (Appeals). It is, however appropriate to highlight that the Subsidiary has also filed a writ petition with the Honorable Lahore High Court against the above referred Order-In-Original demand.

q) Through Order-In-Original No. 10/2011 dated July 30, 2011, Subsidiary's refund claim of Central Excise Duty (CED) of Rupees 913.01 million representing the excess payment of duty based on an inadvertent computation of related 'retail price' of cement products manufactured and supplied by the Company, was rejected principally on the grounds that related incidence of duty has been passed on to the consumers and hence the resultant refund claim is hit by the mischief of provisions of then applicable section 3(d) of the Central Excise Act, 1944.

The preferred appeal against the said order before the CIR(A) both on legal as well as factual grounds, however, such appeal was not entertained by the Commissioner of Inland Revenue (Appeals) and accordingly, the matter has been further agitated in appeal by the company before the Appellate Tribunal Inland Revenue (ATIR).

r) Through Order-In-Original No. 27/2012 dated 8 March 2012 ("ONO"), principal sales tax and federal excise duty aggregating to Rupees 38.45 million (along with applicable default surcharge and penalty) was held recoverable from Subsidiary on the grounds that the Subsidiary allegedly claimed input sales tax in respect of purchases made from un-registered persons/inactive suppliers. While disposing the Subsidiary's appeals Commissioner of Inland Revenue (Appeals) remanded the matter to department for appraisal of relevant facts afresh. The remand proceedings have not yet been taken up by the department and are as such pending.

s) Through the Writ Petition No.22485/1997 titled" Maple Leaf Cement Factory Limited" Vs " Federation of Pakistan and others", the Subsidiary has sought a declaration that it is not liable to pay advance income tax in terms of Section 53 of Income Tax Ordinance, 1979 on the ground that on proven facts it is not liable to payment of any income tax for the year ending on 30 June 1998. The petition is pending before the Honorable Lahore High Court, Lahore.

t) Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Subsidiary, to various institutions and corporate bodies aggregate Rupees 413.867 million as at 30 June 2012 (2011: Rupees 343.179 million).

17.2 Commitments in respect of:

a) Commitments for capital expenditure other than letter of credit amount to Rupees 177.805 million (2011: Rupees 235.014 million).

b) Letters of credit other than for capital expenditure amount to Rupees 265.433 million (2011: Rupees 86.583 million).

18. PROPERTY, PLANT AND EQUIPMENT

	2012	2011
	(Rupees in thousand)	
Operating fixed assets (Note 18.1)		
Owned	**25,029,089**	30,192,678
Leased	**899,781**	962,220
Capital work in progress (Note 18.5)	**69,514**	3,796,034
	25,998,384	34,950,932

18.1 Operating Fixed Assets

	Owned Assets													Leased Assets		
	Freehold land	Office building	Factory and other building	Residential and other building	Plant and machinery	Services and other equipment	Computer and IT installations	Furniture and equipment	Office equipment	Vehicles	Quarry equipment	Share of joint assets	Total	Plant and machinery	Vehicles	Total
	(Rupees in thousand)															
At 30 June 2010																
Cost / revalued amount	2,478,779	14,176	4,930,694	106,732	25,291,569	30,892	58,250	233,913	26,827	187,966	218,088	5,999	33,583,885	1,322,798	1,542	1,324,340
Accumulated depreciation	-	(5,522)	(1,356,908)	(39,014)	(8,554,521)	(22,095)	(45,078)	(141,369)	(12,792)	(110,063)	(159,179)	(3,607)	(10,450,148)	(210,515)	(711)	(211,226)
Net book value	2,478,779	8,654	3,573,786	67,718	16,737,048	8,797	13,172	92,544	14,035	77,903	58,909	2,392	23,133,737	1,112,283	831	1,113,114
Year ended 30 June 2011																
Opening net book value	2,478,779	8,654	3,573,786	67,718	16,737,048	8,797	13,172	92,544	14,035	77,903	58,909	2,392	23,133,737	1,112,283	831	1,113,114
Revaluation surplus	382,387	-	271,549	-	7,231,557	-	-	-	-	-	-	-	7,885,493	-	-	-
Additions	-	-	72,532	5,853	209,200	101	3,594	4,985	1,910	17,074	-	1	315,250	27,212	-	27,212
Transfer:																
Cost	399,673	-	-	-	182,807	-	-	-	-	1,542	-	-	584,022	(182,807)	(1,542)	(184,349)
Accumulated depreciation	-	-	-	-	(66,247)	-	-	-	-	(825)	-	-	(67,072)	66,247	825	67,072
	399,673	-	-	-	116,560	-	-	-	-	717	-	-	516,950	(116,560)	(717)	(117,277)
Disposals:																
Cost	-	-	-	-	(572,395)	-	-	-	-	(7,317)	-	-	(579,712)	-	-	-
Accumulated depreciation	-	-	-	-	467,382	-	-	-	-	3,761	-	-	471,143	-	-	-
	-	-	-	-	(105,013)	-	-	-	-	(3,556)	-	-	(108,569)	-	-	-
Depreciation charge	-	(452)	(222,052)	(4,039)	(1,275,714)	(876)	(4,379)	(15,148)	(1,336)	(14,166)	(11,782)	(239)	(1,550,183)	(60,715)	(114)	(60,829)
Closing net book value	3,260,839	8,202	3,695,815	69,532	22,913,638	8,022	12,387	82,381	14,609	77,972	47,127	2,154	30,192,678	962,220	-	962,220
At 30 June 2011																
Cost / revalued amount	3,260,839	14,176	5,274,775	112,585	32,342,738	30,993	61,844	238,898	28,737	199,265	218,088	6,000	41,788,938	1,167,203	-	1,167,203
Accumulated depreciation	-	(5,974)	(1,578,960)	(43,053)	(9,429,100)	(22,971)	(49,457)	(156,517)	(14,128)	(121,293)	(170,961)	(3,846)	(11,596,260)	(204,983)	-	(204,983)
Net book value	3,260,839	8,202	3,695,815	69,532	22,913,638	8,022	12,387	82,381	14,609	77,972	47,127	2,154	30,192,678	962,220	-	962,220
Year ended 30 June 2012																
Opening net book value	3,260,839	8,202	3,695,815	69,532	22,913,638	8,022	12,387	82,381	14,609	77,972	47,127	2,154	30,192,678	962,220	-	962,220
Reversal of revaluation surplus	-	-	(264,516)	-	(7,026,989)	-	-	-	-	-	-	-	(7,291,505)	-	-	-
Additions	-	-	431,627	105	3,623,828	11,687	2,394	8,843	1,698	17,923	8,817	-	4,106,922	-	-	-
Transfer :																
Cost	-	-	-	-	12,458	-	-	-	-	-	-	-	12,458	(12,458)	-	(12,458)
Accumulated depreciation	-	-	-	-	(4,263)	-	-	-	-	-	-	-	(4,263)	4,263	-	4,263
	-	-	-	-	8,195	-	-	-	-	-	-	-	8,195	(8,195)	-	(8,195)
Disposals:																
Cost	(411,345)	-	-	-	(595)	-	(616)	(124)	(44)	(5,527)	-	-	(418,251)	-	-	-
Accumulated depreciation	-	-	-	-	401	-	401	93	14	4,173	-	-	5,082	-	-	-
	(411,345)	-	-	-	(194)	-	(215)	(31)	(30)	(1,354)	-	-	(413,169)	-	-	-
Depreciation charge	-	(429)	(237,569)	(3,918)	(1,286,968)	(1,080)	(3,906)	(13,303)	(1,449)	(14,888)	(10,307)	(215)	(1,574,032)	(54,244)	-	(54,244)
Closing net book value	2,849,494	7,773	3,625,357	65,719	18,231,510	18,629	10,660	77,890	14,828	79,653	45,637	1,939	25,029,089	899,781	-	899,781
At 30 June 2012																
Cost / revalued amount	2,849,494	14,176	5,441,886	112,690	28,951,440	42,680	63,622	247,617	30,391	211,661	226,905	6,000	38,198,562	1,154,745	-	1,154,745
Accumulated depreciation	-	(6,403)	(1,816,529)	(46,971)	(10,719,930)	(24,051)	(52,962)	(169,727)	(15,563)	(132,008)	(181,268)	(4,061)	(13,169,473)	(254,964)	-	(254,964)
Net book value	2,849,494	7,773	3,625,357	65,719	18,231,510	18,629	10,660	77,890	14,828	79,653	45,637	1,939	25,029,089	899,781	-	899,781
Depreciation rate (%)	-	5 - 10	5 - 10	5 - 10	5 - 20	10	30	10	10	20	20	10	10	10 - 20	20	-

18.1.1 Freehold land of Holding Company was revalued by an independent valuer Messers ARCH-e'-decon (Evaluator, Surveyors, Architects and Engineers) as at 30 March 2010. Freehold land of Subsidiary Company was revalued by Empire Enterprises (Private) Limited as at 31 December 2010. Book value of land on cost basis is Rupees 68.546 million (2011: Rupees 468.219 million) as on 30 June 2012. Had there been no revaluation, the value of land would have been lower by Rupees 2,780.948 million (2011: Rupees 2,792.605 million).

18.2 Detail of operating fixed assets, exceeding the book value of Rupees 50,000 disposed of during the year is as follows:

Particulars	Cost/ revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Gain/ (loss)	Mode of disposal	Particulars of purchasers
	------------(Rupees in thousand)				---------------		
Land	411,345	-	411,345	317,196	(94,149)	Negotiation	Allied Bank Limited
Plant and Machinery							
Sewing Machine	581	391	190	2	(188)	Negotiation	Gohar Sons Paper Cone Factory
Computer and IT Installations							
Gemni LS43 Wireless Bridge	185	59	126	117	(9)	Insurance claim	EFU General Insurance Limited
Vehicles							
Toyota Corolla LZA-717	908	671	237	249	12	Negotiation	Mr. Sohail Sadiq
Suzuki Cultus LRE-620	490	388	102	422	320	Negotiation	Mrs. Sughran Begum
Honda Civic	1,542	1,015	527	1,400	873	Auction	Mr. Zaheer Abbas
Mitsubishi Lancer	980	739	241	630	389	Auction	Muhammad Azam
Honda City RLD-9540	810	602	208	500	292	Insurance claim	EFU General Insurance Limited
	4,730	3,415	1,315	3,201	1,886		
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000	1,410	1,217	193	816	623	Negotiation	
	418,251	5,082	413,169	321,332	(91,837)		

	Note	2012	2011
		(Rupees in thousand)	
18.3 Depreciation charged during the year has been allocated as follows:			
Cost of sales	32	**1,590,680**	1,574,368
Administrative expenses	34	**37,596**	36,643
		1,628,276	1,611,011

18.4 Ownership of the housing colony's assets included in the operating fixed assets is shared by the Subsidiary Company jointly with Pak American Fertilizer Limited in ratio of 101:245 since the time when both the companies were managed by Pakistan Industrial Development Corporation (PIDC). These assets are in possession of the housing colony establishment for mutual benefits.

	Note	2012	2011
		(Rupees in thousand)	
18.5 CAPITAL WORK IN PROGRESS			
Tangible assets			
Civil works		**-**	105
Plant and machinery		**33,880**	3,203,712
Un-allocated capital expenditure	18.5.1	**1,001**	477,163
Advances to suppliers against:			
Plant and machinery		**9,237**	104,999
Purchase of land		**2,000**	2,000
Furniture and fixture		**17,855**	-
Vehicles		**1,699**	4,550
Civil works		**3,842**	3,505
		69,514	3,796,034

18.5.1 Un-allocated capital expenditure - net

	2012	2011
Opening balance	**477,163**	274,540
Less: capitalized during the year	**476,162**	-
	1,001	274,540
Add: Expenditure incurred during the year:		
Salaries, wages and other benefits	**-**	10,345
Travelling and conveyance	**-**	3,372
Vehicles' running and maintenance	**-**	184
Finance cost	**-**	181,077
Legal and professional	**-**	5,974
Consultancy	**-**	-
Communication	**-**	117
Insurance expenses	**-**	-
Miscellaneous expenses	**-**	1,554
	1,001	477,163

	2012	2011
	(Rupees in thousand)	

19. INTANGIBLE ASSETS

Computer software

Year ended 30 June	2012	2011
Opening net book value	**27,154**	1,774
Addition	**-**	36,220
Amortization	**(12,073)**	(10,840)
Closing net book value	**15,081**	27,154
Cost as at 30 June	**59,470**	59,470
Accumulated amortization	**(44,389)**	(32,316)
Net book value	**15,081**	27,154
Amortization rate (per annum)	**33.33%**	33.33%

20. INVESTMENT PROPERTIES

Year ended 30 June	2012	2011
Opening net book amount	**1,721,714**	1,720,835
Addition during the year	**5,539**	-
Fair value gain	**1,633**	879
Closing net book amount	**1,728,886**	1,721,714

20.1 The fair value of investment properties comprising land and building situated at Lahore and Rawalpindi have been determined at 30 June 2012 by an independent valuer having relevant professional qualifications. The fair value was determined on the basis of professional assessment of the current prices in an active market for similar properties in the same location and condition.

21. LONG TERM LOANS TO EMPLOYEES - Secured

	Note	2012 (Rupees in thousand)	2011
House building		**2,477**	2,120
Vehicles		**1,573**	2,336
Others		**253**	247
		4,303	4,703
Less : Current portion of long term loans to employees	26	**1,916**	2,172
		2,387	2,531

21.1 These loans are secured against charge / lien on employees' retirement benefits of Subsidiary Company and carry interest at the rates ranging from 6.00% to 12.00% per annum (2011: 6.00% to 12.00% per annum). These loans are recoverable in 30 to 120 monthly installments.

22. LONG TERM DEPOSITS

	2012 (Rupees in thousand)	2011
Security deposits	**117,570**	97,080
Less: Current portion shown under current assets	**(13,705)**	(9,286)
	103,865	87,794

23. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
Stores	23.1	**1,523,347**	1,527,972
Spare parts		**1,873,959**	1,800,578
Loose tools		**31,507**	38,533
		3,428,813	3,367,083
Less: Provision against slow moving items		**(6,384)**	(5,744)
		3,422,429	3,361,339

23.1 This includes stores in transit of Rupees 368.552 million (2011: Rupees 623.474 million).

24. STOCK-IN-TRADE

	Note	2012	2011
Raw materials	24.1	**820,933**	575,310
Packing materials		**112,386**	72,340
Work-in-process		**959,245**	573,008
Finished goods		**540,780**	975,678
		2,433,344	2,196,336

24.1 Raw materials include stock in transit of Rupees 140.422 million (2011: Rupees 210.034 million).

24.2 Stock in trade of Rupees 0.941 million (2011: Rupees 303.684 million) is being carried at net realizable value.

24.3 The aggregate amount of write-down of inventories to net realizable value recognized during the year was Rupees 0.082 million (2011: Rupees 47.216 million).

25. TRADE DEBTS

	Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
Considered good:			
Secured (against letters of credit)		**491,542**	726,757
Unsecured		**1,071,072**	540,746
		1,562,614	1,267,503
Considered doubtful:			
Others - unsecured		**95,217**	51,054
Less: Provision for doubtful debts			
As at 01 July		**51,054**	26,309
Add: Provision for the year	35	**44,163**	24,745
		95,217	51,054
As at 30 June		**-**	-

25.1 As at 30 June 2012, trade debts of Rupees 727.293 million (2011 : Rupees 671.005 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2012	2011
	(Rupees in thousand)	
Upto 1 month	**448,257**	351,052
1 to 6 months	**150,668**	205,570
More than 6 months	**128,368**	114,383
	727,293	671,005

25.2 As at 30 June 2012, trade debts of Rupees 95.217 million (2011 : Rupees 51.054 million) were impaired and provided for. The ageing of these trade debts was more than three years.

	Note	2012	2011
		(Rupees in thousand)	
26. LOANS AND ADVANCES - Considered good			
Current portion of long term loans to employees	21	**1,916**	2,172
Advances to :			
- Executives		**2,056**	1,390
- Other employees		**14,729**	7,708
- Suppliers		**465,013**	358,390
		481,798	367,488
Letters of credit		**9,860**	16,732
		493,574	386,392
27. SECURITY DEPOSITS AND SHORT TERM PREPAYMENTS			
Short term deposits including current portion of long term deposits		**15,043**	9,286
Margin against:			
Letter of credit		**55,560**	24,226
Bank guarantee		**58,274**	51,802
Prepayments		**15,685**	55,627
		144,562	140,941
28. OTHER RECEIVABLES			
Considered good:			
Sales tax refundable		**153,182**	259,199
Custom duty receivable		**3,642**	3,642
Mark up rate support receivable from financial institutions		**5,983**	11,689
Export rebate		**38,591**	42,664
Insurance claims		**5,834**	281
Research and development support		**472**	472
Duty draw back		**95,792**	119,555
Inland freight and subsidy	28.1	**-**	62,060
Others		**69,750**	48,330
		373,246	547,892

28.1 The inland freight subsidy was receivable by Subsidiary Company subject to State Bank of Pakistan circular letter no. 6 regarding public notice by Trade Development Authority of Pakistan announcing 35% of the total inland freight cost as freight subsidy where dispatch location is more than 100 Km from sea port. During the year, Subsidiary Company has received Rupees 49.33 million as full and final claim against inland freight subsidy from State Bank of Pakistan (TDAP) against sanction letter for release of payment by Finance Division, Government of Pakistan, Islamabad vide letter No. F. No. 4(2) CF-III/2009 dated 13 April 2012. The remaining amount has been reversed against freight expense.

29. SHORT TERM INVESTMENTS

	2012	2011
	(Rupees in thousand)	
Available for sale		
Unquoted		
Security General Insurance Company Limited Nil (2011 : 10,968,930) ordinary shares of Rupees 10 each fully paid.	-	12,000
Equity held Nil (2011 : 16.11%)		
Surplus on revaluation of investment	-	909,391
	-	921,391
Investments at fair value through profit or loss		
Quoted Companies	**20,251**	12,817
Loss on remeasurment of fair value during the year	**(518)**	(7,566)
	19,733	5,251
Mutual funds	**14,000**	16,000
Gain on remeasurment of fair value during the year	**-**	299
	14,000	16,299
	33,733	21,550
	33,733	942,941

30. CASH AND BANK BALANCES

	2012	2011
Cash in hand	**13,743**	13,631
Cash at bank:		
- On current accounts	**296,196**	262,570
- On saving accounts	**538,790**	433,275
	834,986	695,845
	848,729	709,476

30.1 The balances in saving accounts carry interest ranging from 0.26% to 11.50% (2011: from 0.20% to 12%) per annum.

30.2 The balances in current and deposit accounts of Holding Company include US $ 473,602 (2011: US $ 218,867)

	Note	2012	2011
		(Rupees in thousand)	

31. SALES

	Note	2012	2011
Export		**8,937,753**	10,223,035
Local	31.1	**17,632,184**	14,724,110
Duty drawback		**-**	116,458
Export rebate		**37,718**	46,389
		26,607,655	25,109,992

	2012	2011
31.1 Local sales	**20,848,068**	18,359,334
Less :		
Sales tax	**2,103,135**	1,883,881
Excise duty	**983,313**	1,618,710
Commission	**129,436**	132,633
	17,632,184	14,724,110

31.2 Exchange gain due to currency rate fluctuations relating to export sales of Holding Company amounting to Rupees 61.043 million (2011: Rupees 15.966 million) has been included in export sales.

	Note	2012	2011
		(Rupees in thousand)	

28. COST OF SALES

	Note	2012	2011
Raw materials consumed	32.1	**4,947,011**	5,885,167
Cloth and yarn procured and consumed		**1,297,425**	1,443,577
Salaries, wages and other benefits	32.2	**1,056,245**	1,056,288
Dyes and chemicals consumed		**320,531**	341,963
Processing charges		**14,252**	13,508
Stores, spare parts and loose tools consumed		**1,167,056**	991,993
Packing materials consumed		**1,289,555**	1,383,730
Fuel and power		**8,173,961**	7,504,749
Repair and maintenance		**183,406**	152,507
Insurance		**70,427**	66,174
Other factory overheads		**233,881**	186,446
Amortization		**8,794**	10,567
Depreciation	18.3	**1,590,680**	1,574,368
		20,353,224	20,611,037
Work-in-process			
Opening stock		**573,008**	983,720
Closing stock		**(959,245)**	(573,008)
		(386,237)	410,712
Cost of goods manufactured		**19,966,987**	21,021,749
Finished goods			
Opening stock		**975,678**	1,065,214
Closing stock		**(540,780)**	(975,678)
		434,898	89,536
Cost of sales		**20,401,885**	21,111,285

	2012	2011
	(Rupees in thousand)	

32.1 Raw materials consumed

	2012	2011
Opening stock	**402,213**	728,243
Add: Purchased during the year	**5,225,309**	5,559,137
	5,627,522	6,287,380
Less: Closing stock	**(680,511)**	(402,213)
	4,947,011	5,885,167

32.2 Salaries, wages and other benefits include provident fund contribution of Rupees 29.495 million (2011: Rupees 28.918 million) and employee benefit (gratuity) amounting to Rupees 12.060 million (2011: Rupees 8.010 million).

33. DISTRIBUTION COST

	Note	2012 (Rupees in thousand)	2011
Salaries and other benefits	33.1	**95,433**	82,826
Outward freight and handling		**787,163**	1,594,860
Clearing and forwarding		**183,587**	232,933
Commission to selling agents		**93,549**	83,955
Travelling and conveyance		**28,604**	25,999
Insurance		**274**	505
Vehicles' running expenses		**13,079**	10,302
Electricity, gas and water		**1,280**	910
Postage, telephone and fax		**6,043**	5,781
Legal and professional		**-**	80
Sales promotion and advertisement		**29,540**	22,475
Miscellaneous expense		**10,072**	11,069
		1,248,624	2,071,695

33.1 Salaries, wages and other benefits include provident fund contribution of Rupees 3.177 million (2011: 3.0888 million) and employee benefits (gratuity) amounting to Rupees 1.970 million (2011: Rupees 0.350 million).

34. ADMINISTRATIVE EXPENSES

	Note	2012 (Rupees in thousand)	2011
Salaries and other benefits	34.1	**198,806**	185,319
Travelling and conveyance		**26,713**	20,411
Repairs and maintenance		**14,265**	13,586
Rent, rates and taxes		**2,121**	7,268
Insurance		**6,343**	4,481
Vehicles' running expenses		**25,989**	21,030
Printing, stationery and periodicals		**14,186**	10,572
Electricity, gas and water		**4,264**	2,506
Postage, telephone and fax		**10,697**	11,160
Legal and professional		**24,724**	50,804
Security, gardening and sanitation		**19,115**	20,424
Amortization		**3,279**	273
Depreciation	18.3	**37,596**	36,643
Miscellaneous expense		**39,030**	40,990
		427,128	425,467

34.1 Salaries, wages and other benefits include provident fund contribution of Rupees 6.617 million (2011: Rupees 6.064 million) and employee benefits (gratuity) amounting to Rupees 3.670 million (2011: Rupees 2.031 million).

35. OTHER OPERATING EXPENSES

	Note	2012	2011
		(Rupees in thousand)	
Auditors' remuneration	35.1	**2,814**	3,257
Donations	35.2	**2,325**	1,526
Loss on disposal of land classified as held for sale		**-**	34,050
Loss on remeasurement of fair value of investments at fair value through profit or loss		**-**	102
Loss on disposal of property, plant and equipment		**91,837**	-
Provision for doubtful debts	25	**44,163**	24,745
Provision for slow moving stores and spares		**640**	744
Workers' profit participation fund		**40,020**	10,188
Workers' welfare fund		**9,063**	5,487
Delay payment surcharge		**114,844**	155,832
Miscellaneous		**-**	34
		305,706	235,965

35.1 Auditors' remuneration

	2012	2011
Riaz Ahmad and Company		
Audit fee	**1,200**	1,200
Certifications	**25**	408
	1,225	1,608
KPMG Taseer Hadi and Company		
Audit fee	**1,546**	1,546
Out of pocket expenses	**43**	43
	1,589	1,589
Hussain Chaudhry and Company		
WPPF audit fee	**-**	60
	2,814	3,257

35.2 None of the directors and their spouses have any interest in the donee's fund.

36. OTHER OPERATING INCOME

Income from financial assets:

	2012	2011
Exchange gain	**4,282**	5,570
Gain on disposal of investments at fair value through profit or loss	**921,508**	4,660
Gain on remeasurement of fair value of investments at fair value through profit or loss	**11**	-
Return on bank deposits	**29,696**	5,926
Dividend income	**459**	1,802
	955,956	17,958

	Note	2012	2011
		(Rupees in thousand)	
Income from related parties:			
Dividend income - Security General Insurance Company Limited		**-**	26,178
Income from non-financial assets:			
Scrap sales		**33,078**	48,257
Gain on disposal of property, plant and equipment	18.2	**-**	12,766
Gain on remeasurement of fair value of investment properties		**1,633**	879
Unclaimed balances written back		**10,066**	-
Miscellaneous		**8,524**	27,978
		53,301	89,880
		1,009,257	134,016

37. FINANCE COST

		2012	2011
Mark-up / finance charges / interest on:			
Long term financing		**610,435**	480,581
Redeemable capital		**1,126,386**	1,155,496
Short term borrowings		**1,121,748**	1,339,971
Liabilities against assets subject to finance lease		**93,749**	88,634
Loss on cross currency swap		**9,819**	12,728
Exchange loss		**183,173**	21,685
Workers' profit participation fund		**2,964**	2,445
Employees' provident fund trust		**5,626**	6,407
		3,153,900	3,107,947
Bank charges and commission		**67,405**	93,239
		3,221,305	3,201,186

38. TAXATION

	Note	2012	2011
Current year			
Current tax	38.1	**235,544**	264,077
Deferred tax		**(26,999)**	124,987
		208,545	389,064
Prior year			
Deferred tax		**32,220**	-
		240,765	389,064

38.1 Provision for current tax represents final tax on export sales, minimum tax on local sales and tax on income from other sources under the relevant provisions of the Income Tax Ordinance, 2001. Numeric tax reconciliation has not been presented, being impracticable.

39. CASH GENERATED FROM OPERATIONS

	Note	2012	2011
		(Rupees in thousand)	
Profit / (loss) before taxation		**2,012,264**	(1,801,590)
Adjustment for non-cash charges and other items:			
Depreciation		**1,628,276**	1,611,012
Amortization		**12,073**	10,840
Finance cost		**3,221,305**	3,198,741
Loss / (gain) on sale of property, plant and equipment		**91,837**	(12,766)
Gain on disposal of investments at fair value through profit or loss		**(915,790)**	(4,660)
Gain on remeasurement of investment properties		**(1,633)**	(879)
Dividend income		**(458)**	(27,980)
Provision for doubtful debts		**44,163**	24,745
Provision for slow moving stores and spares		**640**	744
Unclaimed balances written back		**(10,066)**	-
Employees' compensated absences		**18,747**	6,424
Return on bank deposits		**(17,902)**	(5,926)
Loss on disposal of non-current assets classified as held for sale		**-**	34,050
(Gain) / loss on remeasurement of investments at fair value through profit or loss		**(11)**	102
Working capital changes	39.1	**(729,931)**	1,630,938
		5,353,514	4,663,795

39.1 Working capital changes

	2012	2011
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	**(61,730)**	(608,875)
Stock-in-trade	**(237,008)**	701,495
Trade debts	**(339,274)**	788,217
Loans and advances	**(107,183)**	477,045
Security deposits and short term prepayments	**(3,621)**	(3,206)
Other receivables	**43,488**	422,760
	(705,328)	1,777,436
Increase / (decrease) in trade and other payables	**(24,603)**	(146,498)
	(729,931)	1,630,938

40. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these consolidated financial statements in respect of remuneration including certain benefits to the chief executive officers, directors and executives of the Group are given below:

	Chief Executive Officers		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	--------------------(Rupees in Thousand)-------------------					
Managerial remuneration	**9,432**	8,670	**11,579**	10,767	**94,334**	81,893
Allowances						
House rent	**247**	219	**1,084**	1,108	**28,898**	23,615
Conveyance	**769**	376	**931**	680	**18,125**	13,240
Medical	**433**	408	**195**	312	**6,446**	5,259
Utilities	**335**	317	**694**	685	**10,961**	9,189
Special allowance	**1,274**	1,135	**1,557**	1,393	**13,641**	12,362
Contribution to provident fund	**793**	726	**364**	310	**8,146**	6,767
	13,283	11,851	16,404	15,255	**180,551**	152,325
Number of persons	**2**	2	**5**	5	**95**	89

The Chief Executive Officers and directors are provided with the Group's maintained vehicles, free medical facilities and residential telephone facilities for both business and personal use.

Executives are provided with the vehicles in accordance with the Group's policy.

The aggregate amount charged in these consolidated financial statements in respect of directors' meeting fee paid to 4 (2011: 4) non-executive directors was Rupees 275 thousand (2011: Rupees 240 thousand).

41. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiaries, associated undertakings, directors of the company and their close relatives, key management personnel and staff retirement fund. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2012	2011
	(Rupees in thousand)	
Associated Company		
Dividend income	-	26,178
Post employment benefit plan		
Contribution to provident fund	**39,289**	38,070
Contribution to gratuity fund	**17,700**	10,391
Other related parties		
Sale of vehicles	-	2,477

42. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2012	2011
Profit / (loss) attributable to ordinary shareholders of the Holding Company	(Rupees in thousand)	**1,338,740**	(1,374,209)
Weighted average number of ordinary shares	(Numbers)	**245,526,216**	221,964,572
Earnings (loss) per share	(Rupees)	**5.45**	(6.19)

43. PLANT CAPACITY AND ACTUAL PRODUCTION

SPINNING:

	2012	2011
- Rawalpindi Division	**(Numbers)**	
Spindles (average) installed / worked	**85,680**	85,680
	(Kilograms in thousand)	
100% Plant capacity converted into 20s count based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	**36,315**	33,620
Actual production converted into 20s count based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	**24,998**	23,547
	(Numbers)	
- Gujar Khan Division		
Spindles (average) installed / worked	**70,848**	70,848
	(Kilograms in thousand)	
100% Plant capacity converted into 20s count based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	**31,900**	32,042
Actual production converted into 20s count based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	**24,441**	25,989

WEAVING:

	2012	2011
- Raiwind Division	**(Numbers)**	
Looms installed / worked	**204**	204
	(Square meters in thousand)	
100% Plant capacity at 60 picks based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	**72,568**	72,568
Actual production converted to 60 picks based on 3 shifts per day for 1,082 shifts (2011: 1,072 shifts)	**65,871**	66,580

	2012	2011
PROCESSING OF CLOTH :		
- Rawalpindi Division	**(Meters in thousand)**	
Capacity at 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	**41,860**	41,975
Actual production at 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	**15,204**	21,367
POWER PLANT:		
- Rawalpindi Division	**(Mega Watts)**	
Annual rated capacity based on 366 days (2011: 365 days)	**208,356**	207,787
Actual generation		
- Main engines	**11,659**	884
- Gas engines	**41,104**	60,935
- Raiwind Division		
Annual rated capacity (based on 365 days)	**54,460**	54,460
Actual generation - Gas engines	**14,366**	22,432

Stitching

The plant capacity of this division is indeterminable due to multi product plant involving varying processes of manufacturing and run length of order lots.

	2012	2011
CEMENT:	**(Metric Ton in thousand)**	
Clinker:		
Annual rated capacity (Based on 300 days)	**3,360**	3,690
Annual production for the year	**2,648**	2,753

REASONS FOR LOW PRODUCTION

- Due to stoppage for normal maintenance, doffing, change of spin plans and cloth quality and interruption in gas and electricity supply.
- Cloth processing units working capacity was limited to actual export / local orders in hand.
- The generation of power was limited to actual demand.
- Shortfall in cement production was mainly due to break down in cement mills and market constraints.

44. SEGMENT INFORMATION

44.1

	Spinning		Weaving		Processing and home textile		Cement		Elimination of inter-segment transactions		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)											
SALES :												
EXTERNAL	**3,998,155**	4,157,829	**2,607,934**	2,415,601	**4,540,609**	5,463,823	**15,460,957**	13,072,739	**-**	-	**26,607,655**	25,109,992
INTER-SEGMENT	**638,205**	1,350,848	**1,149,909**	1,502,378	**-**	-	**399**	479	**(1,788,513)**	(2,853,705)	**-**	-
	4,636,360	5,508,677	**3,757,843**	3,917,979	**4,540,609**	5,463,823	**15,461,356**	13,073,218	**(1,788,513)**	(2,853,705)	**26,607,655**	25,109,992
COST OF SALES	**(3,839,880)**	(4,667,274)	**(3,315,394)**	(3,375,707)	**(3,942,889)**	(5,023,950)	**(11,092,235)**	(10,898,059)	**1,788,513**	2,853,705	**(20,401,885)**	(21,111,285)
GROSS PROFIT	**796,480**	841,403	**442,449**	542,272	**597,720**	439,873	**4,369,121**	2,175,159	**-**	-	**6,205,770**	3,998,707
DISTRIBUTION COST	**(10,860)**	(16,650)	**(96,352)**	(70,903)	**(295,314)**	(337,510)	**(846,098)**	(1,646,632)	**-**	-	**(1,248,624)**	(2,071,695)
ADMINISTRATIVE EXPENSES	**(41,066)**	(74,787)	**(83,211)**	(68,961)	**(86,079)**	(74,991)	**(216,772)**	(206,728)	**-**	-	**(427,128)**	(425,467)
	(51,926)	(91,437)	**(179,563)**	(139,864)	**(381,393)**	(412,501)	**(1,062,870)**	(1,853,360)	**-**	-	**(1,675,752)**	(2,497,162)
PROFIT BEFORE TAX AND UNALLOCATED INCOME AND EXPENSES	**744,554**	749,966	**262,886**	402,408	**216,327**	27,372	**3,306,251**	321,799	**-**	-	**4,530,018**	1,501,545
UNALLOCATED INCOME AND EXPENSES												
FINANCE COST											**(3,221,305)**	(3,201,186)
OTHER OPERATING EXPENSES											**(305,706)**	(235,965)
OTHER OPERATING INCOME											**1,009,257**	134,016
TAXATION											**(240,765)**	(389,064)
											(2,758,519)	(3,692,199)
PROFIT / (LOSS) AFTER TAXATION											**1,771,499**	(2,190,654)

44.2 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Processing and home textile		Cement		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)									
TOTAL ASSETS FOR REPORTABLE SEGMENT	**3,130,758**	2,741,104	**2,289,887**	2,187,389	**2,303,430**	2,707,311	**25,790,816**	33,690,116	**33,514,891**	41,325,920
UNALLOCATED ASSETS									**4,093,862**	5,354,252
TOTAL ASSETS AS PER BALANCE SHEET									**37,608,753**	46,680,172
All segment assets are allocated to reportable segments other than those directly relating to corporate and tax assets.										
TOTAL LIABILITIES FOR REPORTABLE SEGMENT	**1,040,800**	998,668	**1,428,051**	1,860,641	**3,090,847**	4,257,469	**17,864,051**	18,759,581	**23,423,749**	25,876,359
UNALLOCATED LIABILITIES									**4,866,783**	7,409,010
TOTAL LIABILITIES AS PER BALANCE SHEET									**28,290,532**	33,285,369

All segment liabilities are allocated to reportable segments other than trade and other payables, current and deferred tax liabilities.

44.3 Geographical Information

44.3.1 The Group's revenue from external customers by geographical location is detailed below:

	2012	2011
	(Rupees in thousand)	
Europe	**1,831,803**	2,025,774
America	**3,758,302**	4,342,122
Asia, Africa, Australia	**3,385,366**	4,017,986
Pakistan	**17,632,184**	14,724,110
	26,607,655	25,109,992

44.3.2 All non-current assets as at reporting date are located and operated in Pakistan.

44.4 Revenue from major customers

The Group's revenue is earned from a large mix of customers.

45. FINANCIAL RISK MANAGEMENT

45.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Euro and Yen. Currently, the Group's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Group's exposure to currency risk was as follows:

	2012	2011
	(Amounts in thousand)	
Cash at banks - USD	**454**	218
Trade debts - USD	**7,282**	5,948
Trade debts - Euro	**9**	-
Trade and other payable - USD	**13,081**	10,811
Trade and other payable - Euro	**382**	541
Trade and other payable - Yen	**3,400**	-
Finance lease liability - USD	**10,667**	10,667
Outstanding letter of credits - USD	**-**	8
Outstanding letter of credits - Euro	**676**	351
Net exposure - USD	**(16,012)**	(15,320)
Net exposure - Euro	**(1,049)**	(892)
Net exposure - Yen	**(3,400)**	-

The following significant exchange rates were applied during the year:

	2012	2011
Rupees per US Dollar		
Average rate	**89.92**	85.76
Reporting date rate	**94.58**	86.05
	-	
Rupees per Euro		
Average rate	**119.01**	117.96
Reporting date rate	**117.58**	124.89
Rupees per Yen		
Average rate	**1.1400**	1.0400
Reporting date rate	**1.1849**	1.0700

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro and Yen with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 71.935 million, Rupees 5.859 million and Rupees 0.191 million (2011 : Rupees 62.555 million, Rupees 5.292 million and Rupees Nil) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. 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 instruments traded in the market. The Group is not exposed to commodity price risk.

Sensitivity analysis

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

Index	Impact on profit after taxation		Impact on statement of other comprehensive income	
	2012	2011	2012	2011
	-------------- (RUPEES IN THOUSAND) ----------------			
KSE 100 (5% increase)	**1,685**	1,013	**-**	-
KSE 100 (5% decrease)	**(1,685)**	(1,013)	**-**	-

(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 Group has no significant long-term interest-bearing assets. The Group's interest rate risk arises from long term financing, redeemable capital, liabilities against assets subject to finance lease and short term borrowings. Financial instruments at variable rates expose the Group to cash flow interest rate risk. Financial instruments at fixed rate expose the Group to fair value interest rate risk.

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

	2012	2011
	(Rupees in thousand)	
Fixed rate instruments		
Financial liabilities		
Loans to employees	**4,303**	4,456
Bank balances at PLS account	**203,195**	121,642
Financial liabilities		
Long term financing	**101,206**	196,551
Short term borrowings	**1,523,203**	2,277,433
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	**335,595**	321,044
Financial liabilities		
Long term financing	**3,903,981**	6,190,730
Redeemable capital	**8,283,000**	8,289,800
Liabilities against assets subject to finance lease	**1,167,199**	1,174,401
Short term borrowings	**7,587,292**	6,937,498

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

If interest rate at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 195.756 million (2011 : Rupees 233.883 million) lower / higher, mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments 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. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2012	2011
	(Rupees in thousand)	
Investments	**33,733**	942,941
Deposits	**147,570**	127,080
Trade debts	**1,657,831**	1,318,557
Accrued interest	**1,408**	936
Other receivables	**81,567**	60,300
Loans and advances	**150,607**	154,742
Bank balances	**834,986**	695,845
	2,907,702	3,300,401

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

	Rating			2012	2011
	Short term	Long term	Agency	(Rupees in thousand)	
Holding Company					
Banks					
Al-Baraka Islamic Bank (Pakistan) Limited	A2	A	PACRA	**2,581**	6,410
Allied Bank Limited	A1+	AA	PACRA	**3,326**	6,507
Askari Bank Limited	A1+	AA	PACRA	**24,236**	46,473
Bank Alfalah Limited	A1+	AA	PACRA	**3,923**	32,275
Bank Al-Habib Limited	A-1-	AA+	PACRA	**699**	1,604
Bank Islami Pakistan Limited	A1	A	PACRA	**22**	-
Burj Bank Limited	A-2	A	JCR-VIS	**11**	279,710
Citibank N.A.	P-1	Aa3	Moody's	**26**	494
Faysal Bank Limited	A-1+	AA	PACRA	**206**	774
First Women Bank Ltd	A2	BBB+	PACRA	**19**	-
Habib Bank Limited	A-1+	AA+	JCR-VIS	**119**	50
HSBC Bank Middle East Limited	P-1	A1	Moody's	**36**	-
KASB Bank Limited	A3	BBB	PACRA	**287,502**	-
MCB Bank Limited	A1+	AA+	PACRA	**25,692**	26,419
Meezan Bank Limited	A-1+	AA-	JCR-VIS	**541**	618
My Bank Limited	A-2	A-	PACRA	**-**	32
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**1,381**	4,666
NIB Bank Limited	A1+	AA-	PACRA	**3,495**	1,657
Silkbank Limited	A-2	A-	JCR-VIS	**9**	7
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	**41**	10
The Bank of Punjab	A1+	AA-	PACRA	**27,353**	11,765
United Bank Limited	A-1+	AA+	JCR-VIS	**3,341**	224
				384,559	419,695

Subsidiary Company

Total bank balances of Rupees 450.427 million (2011: Rupees 275.868 million) placed with banks have a short term credit rating of at least A1+ (2011: A1+)

	2012	2011
	Rating	
Noman Abid Reliance Income Fund	**AM3-**	AM3-
Alfalah GHP cash fund	**N/A**	AM3-

The Group's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 25.

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

(c) Liquidity risk

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

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2012, the Group had Rupees 10,112 million (2011: Rupees 10,702 million) available borrowing limits from financial institutions and Rupees 848.729 million (2011: Rupees 709.476 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2012

Holding Company

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	------------------ (Rupees in thousand) ------------------					
Non-derivative financial liabilities:						
Long term financing	**1,106,197**	**1,295,803**	**479,149**	**275,161**	**537,706**	**3,787**
Liabilities against assets subject to finance lease	**51,295**	**54,165**	**22,567**	**10,867**	**20,731**	**-**
Trade and other payables	**990,455**	**990,455**	**990,455**	**-**	**-**	**-**
Accrued mark-up	**185,698**	**185,698**	**185,698**	**-**	**-**	**-**
Short term borrowings	**4,364,111**	**4,480,440**	**3,933,471**	**546,969**	**-**	**-**
	6,697,756	**7,006,561**	**5,611,340**	**832,997**	**558,437**	**3,787**

Subsidiary Company

	Carrying	Contractual amount	Less than cash flows	1 to 5 year	5 years and above
	------------------ (Rupees in thousand) ------------------				
Non-derivative financial liabilities:					
Long term financing	4,400,784	5,488,843	1,207,021	3,247,780	1,034,042
Redeemable capital	8,283,000	12,085,483	2,042,476	6,213,578	3,829,429
Liabilities against assets subject to finance lease	1,115,904	1,158,035	804,148	353,887	-
Long term deposits	6,219	6,219	-	6,219	-
Trade and other payables	3,479,109	3,479,109	3,479,109	-	-
Accrued profit/interest/mark-up	757,834	757,834	757,834	-	-
Short term borrowings	3,249,384	3,249,384	3,249,384	-	-
	21,292,234	26,224,907	11,539,972	9,821,464	4,863,471

Contractual maturities of financial liabilities as at 30 June 2011

Holding Company

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	------------------ (Rupees in thousand) ------------------					
Non-derivative financial liabilities:						
Long term financing	1,883,424	2,264,497	472,488	313,083	721,298	757,628
Liabilities against assets subject to finance lease	89,873	101,238	16,607	24,888	43,675	16,068
Trade and other payables	754,095	754,095	754,095	-	-	-
Accrued mark-up	230,138	230,138	230,138	-	-	-
Short term borrowings	5,130,265	5,335,524	5,301,394	34,130	-	-
	8,087,795	8,685,492	6,774,722	372,101	764,973	773,696

Subsidiary Company

	Carrying	Contractual amount	Less than cash flows	1 to 5 year	5 years and above
	------------------ (Rupees in thousand) ------------------				
Non-derivative financial liabilities:					
Long term financing	4,503,858	6,151,885	830,867	3,518,753	1,802,266
Redeemable capital	8,289,800	14,314,638	1,205,848	7,369,758	5,739,032
Liabilities against assets subject to finance lease	1,084,527	1,159,969	568,734	591,235	-
Long term deposits	5,569	5,569	-	5,569	-
Trade and other payables	3,693,755	3,693,755	3,693,755	-	-
Accrued profit/interest/mark-up	791,161	791,162	791,162	-	-
Short term borrowings	4,084,666	4,084,666	4,084,666	-	-
	22,453,336	30,201,644	11,175,032	11,485,315	7,541,298

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 7, note 8, note 9 and note 15 to these financial statements.

45.2 Fair values of financial assets and liabilities

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

	Level 1	Level 2	Level 3	Total
	-------------(Rupees in thousand)-------------			
As at 30 June 2012				
Assets				
Available for sale financial assets	-	-	-	-
As at 30 June 2011				
Assets				
Available for sale financial assets	-	921,391	-	921,391

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Group is the current bid price. These financial instruments are classified under level 1 in above referred table. The Group has no such type of financial instruments as on 30 June 2012.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table.

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

45.3 Financial instruments by categories

	Loans and receivables	Through profit or loss	Available for sale	Total
	-------------(Rupees in thousand)-------------			
As at 30 June 2012				
Assets as per balance sheet				
Investments	**-**	**33,733**	**-**	**33,733**
Deposits	**147,570**	**-**	**-**	**147,570**
Trade debts	**1,657,831**	**-**	**-**	**1,657,831**
Accrued interest	**1,408**	**-**	**-**	**1,408**
Other receivables	**81,567**	**-**	**-**	**81,567**
Loans and advances	**150,607**	**-**	**-**	**150,607**
Cash and bank balances	**848,729**	**-**	**-**	**848,729**
	2,887,712	**33,733**	**-**	**2,921,445**

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	5,506,981
Redeemable capital	8,283,000
Liabilities against assets subject to finance lease	1,167,199
Short term borrowings	7,613,495
Trade and other payables	4,469,564
Accrued mark-up	943,532
	27,983,771

	Loans and receivables	Through profit or loss	Available for sale	Total
	-------------(Rupees in thousand)-------------			
As at 30 June 2011				
Assets as per balance sheet				
Investments	-	21,550	921,391	942,941
Deposits	127,080	-	-	127,080
Trade debts	1,318,557	-	-	1,318,557
Accrued interest	936	-	-	936
Other receivables	60,300	-	-	60,300
Loans and advances	154,742	-	-	154,742
Cash and bank balances	709,476	-	-	709,476
	2,371,091	21,550	921,391	3,314,032

Liabilities as per balance sheet	Financial liabilities at amortized cost (Rupees in thousand)
Long term financing	6,387,282
Redeemable capital	8,289,800
Liabilities against assets subject to finance lease	1,174,400
Short term borrowings	9,214,931
Trade and other payables	4,447,850
Accrued mark-up	1,021,299
	30,535,562

45.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, redeemable capital, liabilities against assets subject to finance lease and short term borrowings obtained by the Group as referred to in note 7, note 8, note 9 and note 15 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. The gearing ratio as at year ended 30 June 2012 and 30 June 2011 is as follows:

	2012	2011
	(Rupees in thousand)	
Borrowings	22,570,675	25,066,413
Total equity	5,273,681	4,161,186
Total capital employed	27,844,356	29,227,599
Gearing ratio	81.06%	85.76%

The decrease in gearing ratio resulted primarily from increase in equity of the Group.

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on September 26, 2012 by the Board of Directors of the Holding Company.

47. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. Significant reclassification for better presentation include gratuity of Subsidiary Company amounting to Rupees 13.03 million previously included in current liabilities among trade and other payables now presented separately under non-current liabilities.

48. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless stated otherwise.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PROXY FORM

I/We____

of ____

being a member of KOHINOOR TEXTILE MILLS LIMITED hereby appoint ______________________

____
(Name)

of ____ another member of the Company

or failing him/her ____
(Name)

of ____ another member of the Company

(being a member of the Company) as my/our proxy to attend, speak and vote for and on my/our behalf, at the Annual General Meeting of the Company to be held at its Registered Office, 42-Lawrence Road, Lahore on Wednesday, October 31, 2012 at 3:00 PM and any adjournment thereof.

As witnessed given under my/our hand(s) ____________________ day of ____________________ 2012.

1. Witness:

Signature : ______________________

Name : ______________________

Address : ______________________

: ______________________

Affix
Revenue
Stamp of Rs. 5/-

____
Signature of Member

2. Witness:

Signature : ______________________

Name : ______________________

Address : ______________________

: ______________________

Shares Held ___________________________

Shareholder's Folio No. __________________

CDC A/c #. ____________________________

CNIC No. | | | | | | – | | | | | | | | – | |

Notes:

1. Proxies, in order to be effective, must be reached at the Company's Registered Office, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

2. CDC Shareholders, entitled to attend, speak and vote at this meeting, must bring with them their Computerized National Identity Cards (CNIC) /Passports in original to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.

AFFIX

CORRECT

POSTAGE

The Company Secretary

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