

KOHINOOR SPINNING MILLS LIMITED

**FINANCIAL STATEMENTS & AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2012**

KOHINOOR SPINNING MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 40th Annual General Meeting of **KOHINOOR SPINNING MILLS LIMITED** will be held on Wednesday, October 31, 2012 at 10:00 a.m. at the premises of Kohinoor Spinning Mills Limited, Unit No. 1, Pindi Road, Aminabad, Chakwal to transact the following business:-

ORDINARY BUSINESS:

1. To confirm the minutes of Annual General Meeting held on October 31, 2011.
2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2012 together with the reports of directors and auditors thereon.
3. To reappoint auditors for the year ending June 30, 2013 and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and approve the increase in remuneration of Working Director of the company not exceeding in aggregate of Rs.500,000/- per month, if approved by the shareholders.
5. To transact any other business with the permission of the Chair.

The Statement Under Section 160(1)(b) of Companies Ordinance, 1984 pertaining to the special business is being sent to the shareholders along with this notice.

BY ORDER OF THE BOARD

Lahore:
October 09, 2012

MUHAMMAD JAHANGIR KHAN
Company Secretary/General Manager (Legal)

NOTES:

1. The share transfer books of the Company will remain closed from October 24, 2012 to October 31, 2012 (both days inclusive).
2. A member entitled to attend the meeting may appoint another member as his/her proxy to attend the meeting of him/her behalf. Proxies in order to be effective must be received by the Company not later than 48 hours before the meeting.
3. The beneficial owner of the shares of the company in the central depository system of the CDC or his/her proxy entitled to attend this meeting shall produce his/her original CNIC or passport to prove the identity. CDC Account Holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.
4. Shareholders are requested to immediately notify the change in their address, if any, and also send copy of CNIC for filing annual return of company to our share registrar M/s Corplink (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel. 042-5839182.

**STATEMENT UNDER SECTION 160(1)(b) OF
THE COMPANIES ORDINANCE, 1984**

The statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Company to be held on October 31, 2012.

Approval of the shareholders will be sought for the remuneration payable to Working Director. For this purpose, it is intended to propose that the following resolution be passed as a Special Resolution.

“RESOLVED THAT the Company hereby authorizes the payment as remuneration to Working Director not exceeding in the aggregate of Rs. 500,000/- per month exclusive of house rent, utilities and other perquisites and benefits to which they are entitled under their terms of employment w.e.f July 01, 2012.”, as per following:

Khawaja Mohammad Naveed	Rs.500,000/-
-------------------------	--------------

The Working Director may be considered interested in this special business to the extent of remuneration payable to him.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors are pleased to present before you the results of the Company for the year ended 30 June 2012.

Performance of Company

Your Company has earned after tax profit of Rs. 106.403 million as compared to after tax profit of Rs. 291.567 million for the corresponding last year. The downward trend in profitability is attributed to the costly cotton procured last year. This year cotton prices remained on lower side. However, due to carry forward of costly cotton, profit margins plummeted. Also, we faced worst crisis of energy this year. Last year WAPDA electricity and SNGPL supply of gas were far better. Export market demand remained on lower side during the year under review. Chinese buyers were of the opinion that they were carrying heavy yarn stocks and hence could not offer rates for current production. All these factors contributed towards the lower profits of the Company.

Future Outlook

For the last two or so years, cotton market has been changing on daily basis. In the past, we had the policy to procure cotton for the whole year during peak cotton season. However, Due to fluctuation in cotton market, we have discontinued this policy. Keeping in view current scenario it is very difficult to predict cotton market these days. Your Company is trying to procure raw material prudently to avoid any unexpected loss.

Another risk factor is shortage of electricity and gas. With winter just approaching, we are awaiting new gas load shedding schedule by SNGPL (we are already facing two days gas off per week while SNGPL supplies minimum gas pressure on third day of the week). Also, WAPDA has discontinued electricity supply for four hours per day. WAPDA electricity rates are being increased on monthly basis under the grab of fuel adjustment charges. However, apparently, no steps are being taken to increase electricity supply. Industry cannot perform without energy and without industry progress unemployment cannot be reduced. Government will to support industry on this critical front is missing. Government prefers household supply to industrial one and this is major flaw in policy for prudent distribution of scarce resources.

These days export market is awakening from slumber. We are receiving orders from export market. With foreign buyers in the market, we have the leverage to sell bulk quantities to them. Local market is alive. However, we have to extend credit to local customers which affect our liquidity.

Another main factor for industry growth is mark up rate cut. We are of the opinion that if we want to progress on industrial front, State Bank of Pakistan (SBP) would have to reduce mark up rates. SBP has cut mark up rate by 150 basis points in last two monetary policies, But still a lot has to do on this front. Lower interest rates are pre-requisite for industry progression as in this competitive industrial world, we are living in one of the highest interest regime areas. Our finance managers think that lower mark up rates would result in higher inflation. We dispute their claim. Our past history is a proof of this.

Acknowledgement

In the end, we appreciate the efforts of our executives, officers, staff members and workers of the Company in performance of their duties.

For and on behalf of the Board



Khawaja Muhammad Naveed

Chief Executive Officer

Lahore:

09 October 2012

Corporate & Financial Reporting Framework:

We are pleased to report that your company has taken necessary steps to comply with the provisions of Code of Corporate Governance as incorporated in the listing regulations of the Stock Exchanges:

- ❖ The financial statements for the year ended June 30, 2012 present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- ❖ Proper books of account of the company have been maintained;
- ❖ Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- ❖ International Accounting Standards (IAS) as applicable in Pakistan has been followed in preparation of financial statements; and departure if any has been adequately disclosed.
- ❖ The system of internal control is sound in design. The process of monitoring will continue and control strengthened where ever considered necessary;
- ❖ There are no significant doubts upon the company's ability to continue as a going concern;
- ❖ There has been no material departure from the best practices of corporate governance as detailed in listing regulations;
- ❖ The key financial data of last six years is annexed;
- ❖ There are no outstanding statutory payments on accounts of taxes, duties, levies or charges except those reflected in Note No.10 to the audited accounts.
- ❖ The company operated an un-funded and unapproved gratuity scheme. Provision is made annually to cover the obligations under the scheme. The latest actuarial valuation has been carried out as at June 30, 2012.
- ❖ During the period under review four board meetings were held and the attendance of each Director was as under:

<u>Name of Directors</u>	<u>No. of Board Meetings Attended</u>
Khawaja Mohammad Jawed	4
Khawaja Mohammad Jahangir	3
Khawaja Mohammad Tanveer	4
Khawaja Mohammad Kaleem	4
Khawaja Mohammad Nadeem	4
Khawaja Mohammad Naveed	4
Mr. Mohammad Hamza Yousaf	4

(The Board granted leave of absence to the directors who could not attend the meetings due to their pre-occupation.)

- ❖ The pattern of shareholding as on 30-06-2012 and its disclosure as required in the Code of Corporate Governance is annexed with this report;

Auditors

The auditors of the Company Messrs. Aslam Malik & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment. The Audit Committee has recommended re-appointment of the same auditors.

Acknowledgement

Your directors are pleased to put on record their appreciation and gratitude to the executives, officers, staff members and workers of the company in performance of their duties. Your directors would also like to put on record their profound and sincere gratitude to valued customers, regulators, external auditors, bankers and our shareholders.

For and on behalf of the Board

Lahore :
October 09, 2012

Khawaja Mohammad Naveed
Chief Executive

KOHINOOR SPINNING MILLS LIMITED

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in regulation No. 35 of listing regulations of Karachi Stock Exchange 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 Code in the following manner:

1. The company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes three executive director and four non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten 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 NBF1 or, being a member of stock exchange, has not been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
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 while Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
6. The Board has developed a vision statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies alongwith the date 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 condition of employment of the Chief Executive and other working director(s) have been taken by the board/shareholders.
8. The meetings of the Board were presided over by the Chief Executive or in his absence other director nominated by the board for this purpose. 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. All the Directors on the Board are fully conversant with their duties and responsibilities as Director of corporate bodies. The Chief Executive recommends that the members of the Board should approach him, should they feel any necessity to conduct other orientation courses in this regard.
10. In future, appointments of Chief Financial Officer, Company Secretary and Internal Auditor, their remuneration and terms & conditions will be approved by the Board as determined by CEO.

11. The directors' report for the year ended June 30, 2012 has been prepared in compliance with the requirements of the Code 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 Code.
15. The Board has formed an Audit Committee. It comprises three members; all the members are non-executive directors including the Chairman of the Committee.
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 Code. The terms of references of the committee have been formed and advised to the committee for compliance.
17. The Company has a Human Resource committee; however, it currently does not have a majority of non-executive directors as its members. The Board is in process of reconstituting this committee as its HR and Remuneration Committee to include majority of non-executive directors pursuant to the requirements of the Code.
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 satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (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 Institute of Chartered Accountants (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, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.
24. We confirm that all other material principles enshrined in the Code have been complied with.

Lahore :
October 09, 2012


Khawaja Mohammad Naveed
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 Spinning Mills Limited** to comply with the Listing Regulation of Karachi Stock Exchange (Guarantee) Limited 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, sub-regulation (XIII) of listing regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19,2009 requires the Company to place before the Boards of Directors for their consideration and approval of 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 parties transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Other Offices at:

Islamabad: House # 726, Street 34, Margalla Town, off Murree Road, Islamabad.

Tel: 92-51-2840487-88, Fax: 92-51-2840486

Karachi: Suite # 602-B, 6th Floor, Business & Finance Center, I.I. Chundrigar Road, Karachi.

Tel: +92-21-32412212, 32443706 Fax: +92-21-32472235

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 June 30, 2012.

Lahore.
Dated: 09-10-2012



A handwritten signature in black ink, appearing to read "Aslam Malik".

Aslam Malik & Co.
Chartered Accountants

Audit Engagement Partner:
Mohammad Aslam Malik

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KOHINOOR SPINNING MILLS LIMITED** as at June 30, 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 include 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 book of accounts 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;

Other Offices at:

Islamabad: House # 726, Street 34, Margalla Town, off Murree Road, Islamabad.
Tel: 92-51-2840487-88, Fax: 92-51-2840486

Karachi: Suite # 602-B, 6th Floor, Business & Finance Center, I.I. Chundrigar Road, Karachi.
Tel: +92-21-32412212, 32443706 Fax: +92-21-32472235

- (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 June 30, 2012 and of the profit, its cash flows and changes in equity for the year then ended, and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the company for the year ended June 30, 2011 were audited by another firm of Chartered Accountants whose report dated October 08, 2011 expressed an unqualified opinion on those financial statements.

Lahore.

Dated: 09-10-2012



A handwritten signature in black ink, appearing to read "Aslam Malik".

Aslam Malik & Co.
Chartered Accountants

Audit Engagement Partner:
Mohammad Aslam Malik

**KOHINOOR SPINNING MILLS LIMITED
BALANCE SHEET AS AT JUNE 30, 2012**

		2012 (Rupees)	2011 (Rupees)
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital			
130,000,000 ordinary shares of Rupees 5/- each		<u>650,000,000</u>	<u>650,000,000</u>
Issued, subscribed and paid up capital 130,000,000 ordinary shares of Rupees 5/- each	3	650,000,000	650,000,000
Accumulated Profit	4	<u>130,639,714</u>	<u>23,873,673</u>
		780,639,714	673,873,673
Sub-ordinated loan from directors	5	397,000,000	397,000,000
NON-CURRENT LIABILITIES			
Long term loans	6	57,142,852	145,722,566
Liabilities against assets subject to finance lease	7	21,135,672	398,911
Supplier's credit	8	138,855,120	-
Deferred liabilities	9	61,913,471	49,621,303
		279,047,115	195,742,780
CURRENT LIABILITIES			
Trade and other payables	10	226,764,714	324,396,246
Accrued Interest on loans and borrowings	11	46,227,892	57,183,850
Short-term borrowings	12	1,104,340,002	898,656,893
Current portion of non current liabilities	13	121,843,886	46,713,743
Provision for taxation	33	3,563,648	-
		1,502,740,142	1,326,950,732
CONTINGENCIES AND COMMITMENTS	14	-	-
		<u>2,959,426,971</u>	<u>2,593,567,185</u>

The annexed notes (1-42) form an integral part of these financial statements.

October 09, 2012


CHIEF EXECUTIVE


DIRECTOR

**KOHINOOR SPINNING MILLS LIMITED
BALANCE SHEET AS AT JUNE 30, 2012**

ASSETS		2012 (Rupees)	2011 (Rupees)
NON CURRENT ASSETS			
Property, plant and equipment	15	1,538,351,388	1,247,945,081
Long term Loans	16	6,964,494	4,926,598
Long term deposits	17	10,561,342	10,541,342
Long term investments	18	795,009	432,432
		18,320,845	15,900,372
CURRENT ASSETS			
Stores and spares	19	51,646,753	33,253,761
Stock-in-trade	20	1,105,978,071	926,859,972
Trade debts	21	147,622,898	215,970,301
Loans and advances	22	49,972,399	39,394,959
Trade deposits and other receivables	23	41,104,835	70,756,175
Short term investment	24	-	36,500,000
Cash and bank balances	25	6,429,782	6,986,564
		1,402,754,738	1,329,721,732
		<u>2,959,426,971</u>	<u>2,593,567,185</u>

The annexed notes (1-42) form an integral part of these financial statements.

Lahore
October 09, 2012


CHIEF EXECUTIVE


DIRECTOR

KOHINOOR SPINNING MILLS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2012

	Notes	2012 (Rupees)	2011 (Rupees)
Sales - net	26	5,627,854,703	6,809,167,296
Cost of sales	27	<u>(5,064,140,290)</u>	<u>(5,910,870,684)</u>
GROSS PROFIT		563,714,413	898,296,612
OPERATING EXPENSES			
Distribution Cost	28	<u>(88,668,159)</u>	<u>(128,665,235)</u>
Administrative	29	<u>(91,811,304)</u>	<u>(91,810,625)</u>
		<u>(180,479,463)</u>	<u>(220,475,860)</u>
OPERATING PROFIT		383,234,950	677,820,752
Finance cost	30	<u>(227,552,849)</u>	<u>(301,753,691)</u>
Other operating expenses	31	<u>(8,906,780)</u>	<u>(19,692,191)</u>
Other operating income	32	<u>9,153,498</u>	<u>6,376,758</u>
		<u>(227,306,131)</u>	<u>(315,069,124)</u>
PROFIT BEFORE TAXATION		155,928,819	362,751,628
TAXATION	33	<u>(49,525,355)</u>	<u>(71,184,298)</u>
PROFIT AFTER TAXATION		<u>106,403,464</u>	<u>291,567,330</u>
EARNINGS PER SHARE - BASIC & DILUTED	34	<u>0.82</u>	<u>2.24</u>

The annexed notes (1-42) form an integral part of these financial statements.

Lahore
 October 09, 2012


 CHIEF EXECUTIVE


 DIRECTOR

**KOHINOOR SPINNING MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012**

	2012 (Rupees)	2011 (Rupees)
Profit after taxation	106,403,464	291,567,330
Other Comprehensive income-net of taxation:	-	-
Unrealized gain due to change in fair value of long term investment	362,577	158,004
Total comprehensive Income	<u>106,766,041</u>	<u>291,725,334</u>

The annexed notes (1-42) form an integral part of these financial statements.

Lahore
October 09, 2012


CHIEF EXECUTIVE


DIRECTOR

**KOHINOOR SPINNING MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012**

	Share Capital	Accumulated Profit	Unrealized gain/(loss) on long term investments	Total
	Rs.	Rs.	Rs.	Rs.
Balance as on July 01, 2010	1,300,000,000	(915,887,144)	(725,571)	383,387,285
Dividend paid 2010-2011		(1,238,946)		(1,238,946)
Reduction of share Capital	(650,000,000)	650,000,000		-
Profit for the year after taxation	-	291,567,330	-	291,567,330
Unrealized gain due to change in fair value of long term investment	-	-	158,004	158,004
Balance as on June 30, 2011	650,000,000	24,441,240	(567,567)	673,873,673
Profit for the year after taxation		106,403,464	-	106,403,464
Unrealized gain due to change in fair value of long term investment		-	362,577	362,577
Balance as on June 30, 2012	650,000,000	130,844,704	(204,990)	780,639,714

The annexed notes (1-42) form an integral part of these financial statements.

Lahore
October 09, 2012


CHIEF EXECUTIVE


DIRECTOR

**KOHINOOR SPINNING MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	Notes	2012 (Rupees)	2011 (Rupees)
CASH GENERATED FROM OPERATIONS			
Cash generated from operations	35	287,791,513	855,451,299
Finance cost paid		(238,508,807)	(300,802,510)
Income tax paid		(25,436,806)	(37,868,517)
Gratuity paid		(14,341,742)	(11,169,491)
Net cash used in operating activities		<u>9,504,158</u>	<u>505,610,781</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(363,104,765)	(116,232,800)
Long term deposits		(20,000)	(2,674,480)
Long term advances		(1,677,896)	(1,713,100)
Proceeds from disposal of property, plant and equipment		0	2,110,000
Dividend received		95,800	-
Profit received on bank accounts		2,820,500	3,042,481
Net cash used in investing activities		<u>(361,886,360)</u>	<u>(115,467,898)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(decrease) of long term financing		117,200,712	(182,444,343)
Increase/(decrease) in finance lease liabilities		28,941,598	(32,466,242)
Increase/(decrease) in short term borrowings		205,683,109	(171,249,650)
Net cash used in financing activities		<u>351,825,419</u>	<u>(386,160,235)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(556,783)	3,982,647
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		6,986,564	3,003,916
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>6,429,782</u>	<u>6,986,564</u>

The annexed notes (1-42) form an integral part of these financial statements.

Lahore
October 09, 2012


CHIEF EXECUTIVE


DIRECTOR

**KOHINOOR SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Kohinoor Spinning Mills Limited-and reduced was incorporated on 23rd July, 1970 as a public limited company in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and is quoted on Karachi stock exchange. Its registered office is situated at Kashane-e-Yousaf, Khawaja Street, Chakwal. The company is engaged in the business of textile spinning.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved International Accounting Standards as applicable in Pakistan. Approved International Accounting Standards comprise of such International Financial Reporting Standards (IFRSs) 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 of, or directives issued under Companies Ordinance, 1984 shall prevail.

2.2 BASIS OF PREPARATION

These accounts have been prepared under the historical cost convention except retirement benefits which have been recognized at present value determined by actuary.

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimate and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

Staff retirement benefits

Certain actuarial assumption has been adopted as disclosed in note 7.1 the financial statements for valuation of present value of defined benefit obligations.

Property, plant and equipment

The Company has made certain estimations with respect to residual value and depreciable lives of property, plant and equipment. The Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the remaining amounts of respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

Income Taxes

In making the estimates for income taxes payable by the Company, the management considers current Income Tax law and the decisions of appellate authorities on certain cases issued in past.

2.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

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

Standard or Interpretation			Effective date (accounting periods beginning on or after)
Amendments enhancing disclosures about offsetting of financial assets and financial liabilities			01-January-2013
IAS 19	-	Employee Benefits – Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	01-January-2013
IAS 32	-	Offsetting Financial Assets and Financial Liabilities – (Amendment)	01-January-2014
IFRIC 20	-	Stripping Costs in the Production Phase of a Surface Mine	01-January-2013

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

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

Standard or Interpretation			IASB Effective date (accounting periods beginning on or after)
IFRS 9	-	Financial Instruments	01-January-2013
IFRS 10	-	Consolidated Financial Statements	01-January-2013
IFRS 11	-	Joint Arrangements	01-January-2013
IFRS 12	-	Disclosure of Interests in Other Entities	01-January-2013
IFRS 13	-	Fair Value Measurement	01-January-2013

2.5 Standards, Interpretations and amendments to published approved accounting standards effective in 2011-2012

New and amended standards and interpretations

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

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

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

2.6 TAXATION

Current

The Charge for current taxation is based on taxable income at current tax rates after taking into account all tax credits and rebates available, if any. In case of loss minimum tax liability is provided in these accounts based on liability worked out under section 113 or under sections 154 and 153 of the Income Tax Ordinance, 2001, whichever of these liability is higher.

Deferred

Deferred tax is provided in full using the liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and liabilities and their carrying amounts.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits, if any to the extent that it is probable that future taxable profit will be available against which the temporary differences, tax losses and unused tax credits can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is probable that sufficient taxable profits will not be available to allow all or part of the deferred tax assets to be utilized.

The tax rates enacted at the balance sheet date are used to determine deferred income tax.

2.7 PROPERTY, PLANT AND EQUIPMENT

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost. Cost of tangible operating assets consists of historical cost, borrowing cost pertaining to the erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on property, plant and equipment except free hold land is charged to income applying the reducing balance method as to write off the cost of property, plant and equipment including the related exchange differences over their expected useful life at the rates given in Note 15.

Depreciation on additions is charged from the month in which the assets become available for use, while on disposal depreciation is charged up to the month of disposal.

Gains or losses on disposal of property plant and equipment are charged to income during the period in which they are incurred.

2.8 STORES AND SPARES

These are valued at cost, applying moving average method except for stock-in-transit which are valued at cost.

2.9 INVESTMENTS

Investments are initially recognised on trade date at cost, comprising of fair value of consideration paid and transaction costs. Its classification is made on the basis of intended purpose for holding such investments, which is determined at the time of purchase and re-valuation is made of such designation on regular basis and presented in the balance sheet on the following basis.

Held-to-maturity

These are stated at amortized cost less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment losses are charged to income statement for the year.

Held for trading

These are recognized at fair value and changes in the carrying values are included in the income statement for the year.

Available for sale

These are stated at fair value and changes in carrying values are recognized through the statement of changes in equity until the investment is sold, collected, disposed off or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in income statement for the year.

Fair value of investment in shares of listed companies is determined on the basis of closing quotations of the stock exchanges at the balance sheet date. while for un-quoted securities, fair value is determined considering breakup value of the securities.

2.10 STOCK-IN-TRADE

These are valued at the lower of average cost and net realizable value, except waste stock which is valued at the net realizable value. Average cost signifies, in relation to raw material annual average cost, for work-in-process and finished goods average manufacturing cost including a proportion of related overheads. Net realizable value signifies the prevailing market prices in the ordinary course of business less selling expenses incidental to sales. Stocks of raw material in transit are valued at cost.

2.11 TRADE DEBTS

Trade debts are carried at original invoice 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 STAFF RETIREMENT BENEFITS

The company operates an unfunded and unapproved gratuity scheme for its employees, which is a defined benefit plan based upon the last salary drawn by an employee. Present value of defined benefit obligation is calculated on the basis of actuarial valuation at the end of the year. The valuation in these accounts is worked out on the Projected Unit Credit Actuarial Cost method.

Actuarial gains/(losses) in excess of 10 percent of the present value of defined benefit obligation are recognized over the expected average future working lives of the employees participating in the scheme. Past service cost is recognized immediately to the extent the benefits already vested.

The amount recognized in the balance sheet represents the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

2.13 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates.

2.14 REVENUE RECOGNITION

Sales are recognized on dispatch of goods to the customers. Dividend income on equity investments is recognized as income when the right of receipt is established. Profit on short-term deposits is accounted for on time-apportioned basis on the principal outstanding by using the rate applicable.

2.15 IMPAIRMENT OF ASSETS

The company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets, if any, may have been impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

2.16 FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and are de-recognized, in case of financial assets when the Company loses control of the contractual rights through either realization, surrender or expiration and in case of financial liability on extinguishments, discharge, cancellation or expiration of obligation specified in the contract.

Financial assets include investments, cash and bank balance, trade debts, advances, deposits and other receivables. Trade debts are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, while other financial assets are stated at cost. Any gain or loss on the recognition and derecognition of the financial assets is included in the net profit and loss for the period in which it arises.

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include creditors, accrued and other liabilities and unclaimed creditors, accrued and other liabilities and unclaimed dividend are stated at their nominal value. financial charges are accounted for on accrual basis. Any gain or loss on the recognition and derecognition of the financial liability is included in the net profit and loss for the period in which it arises.

2.17 TRADE AND OTHERS PAYABLES

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

2.18 PROVISIONS

Provisions are recognized when the company has a legal or constructive obligation as a result of past events, when 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.

2.19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash and bank balances.

2.20 BORROWING COST

Borrowing costs are charged to income as and when incurred except to the extent costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of asset.

2.21 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

2.22 TRANSACTIONS WITH RELATED PARTIES AND TRANSFER PRICING

Transactions with related parties are accounted for using arm's length price in ordinary course of business in accordance with uncontrolled price method.

2.23 DIVIDEND

The dividend distribution to the shareholders is recognized as a liability in the period in which it is approved by the shareholders.

		2012 (Rupees)	2011 (Rupees)
3	SHARE CAPITAL		
	Issued, subscribed and paid up		
	127,725,000 ordinary shares of Rupees 5/- each fully paid in cash	638,625,000	638,625,000
	2,275,000 ordinary shares of of Rupees 5/- each as bonus shares	11,375,000	11,375,000
		<u>650,000,000</u>	<u>650,000,000</u>
3.1	The paid up capital of the company has been reduced to the extent of 50% i.e Rs. 650 million by cancelling the issued and paid up capital of the company which has been lost or unrepresented by its available assets as per Lahore High Court orders dated 16 May, 2011. The court order was registered with the Securities & Exchange Commission of Pakistan on 21-06-2011.		
4	ACCUMULATED PROFIT		
	Accumulated profit/(loss)	130,844,704	(624,319,814)
	Dividend for year 2009-2010	-	(1,238,946)
	Reduction of shares (130,000,000) @ 5/- per share	-	650,000,000
	Unrealized (loss) on long term investments	(204,990)	(567,567)
		<u>130,639,714</u>	<u>23,873,673</u>
5	SUB-ORDINATED LOAN FROM DIRECTORS		
	Loans from directors	397,000,000	397,000,000
		<u>397,000,000</u>	<u>397,000,000</u>
	5.1 This loan is un-secured and free of interest.		
6	LONG TERM LOANS		
	Banking Companies - Secured		
	Demand finance - I	-	2,500,000
	Demand finance - II	100,000,000	139,285,714
	Demand finance - III	-	49,294,000
		<u>100,000,000</u>	<u>191,079,714</u>
	Less : Current portion	(42,857,148)	(45,357,148)
		<u>57,142,852</u>	<u>145,722,566</u>

- 6.1 This loan was secured against specific charge of fixed assets and carried mark up @ 14.34% per annum based on six months KIBOR rate plus spread. The loan was repaid during the year.
- 6.2 This loan is secured against specific charge of fixed assets. It carries mark up @ 15.464% per annum based on six months KIBOR rate plus spread. The loan is repayable in 42 equal monthly installments of Rs.3.571 million each commencing from Feb 2011.
- 6.3 This loan was secured against specific charge of fixed assets and carried mark up@ 15.464% per annum based on six months KIBOR rate plus spread. The loan was repaid during the year.

		2012 (Rupees)	2011 (Rupees)
7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Net principal liability		30,697,104	1,755,506
Current portion	13	(9,561,432)	(1,356,595)
		<u>21,135,672</u>	<u>398,911</u>

- 7.1 The aggregate total lease rentals due under the lease agreements amounting to Rupees 32,760,065 (2011 - Rupees 2,841,652) are repayable in monthly installments under the lease agreement latest by March, 2015. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. A discount rate of ranging from 15% to 17.25% per annum (2011 - 15% to 16% per annum) has been used.

	2012 (Rupees)	2011 (Rupees)
2011 - 2012	-	1,607,863
2012 - 2013	14,125,014	438,713
2013 - 2014	13,686,300	-
2014 - 2015	11,068,995	-
	<u>38,880,309</u>	<u>2,046,576</u>
Financial charges for future periods	(8,183,205)	(291,070)
	<u>30,697,104</u>	<u>1,755,506</u>

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

Gross minimum lease payments:		
- Due not later than one year	14,125,014	1,607,863
- Due later than one year but not later than five years	24,755,295	438,713
	<u>38,880,309</u>	<u>2,046,576</u>
Present value of minimum lease payments:		
- Due not later than one year	9,561,432	1,356,595
- Due later than one year but not later than five years	21,135,672	398,911
	<u>30,697,104</u>	<u>1,755,506</u>

		2012 (Rupees)	2011 (Rupees)
8	SUPPLIER'S CREDIT-UNSECURED		
	Loan from machinery supplier	208,280,426	-
	Less : Current portion	(69,425,306)	-
		<u>138,855,120</u>	<u>-</u>

8.1 This loan is unsecured and interest free. This loan is repayable in 6 equal half year installments of Rs.39.965 million (Euro 287 356.4) each commencing from August 2012 with 16.23% payment at the time of presentation of shipping documents of machinery.

9 DEFERRED LIABILITIES

	Gratuity	9.1	<u>61,913,471</u>	49,621,303
			<u>61,913,471</u>	<u>49,621,303</u>

9.1 Staff Gratuity-Defined Benefit Plan

The amounts recognized in financial statements are determined as follows :-

9.1.1 Reconciliation of amount recognised in the balance sheet

	Present value of defined benefit obligation	63,341,700	54,732,621
	Plus Actuarial gains/less to be recognized in later periods	(1,428,229)	(5,111,318)
		<u>61,913,471</u>	<u>49,621,303</u>

9.1.2 The amounts recognized in the profit and loss account are as follows

	Current service cost	18,971,341	17,656,556
	Interest cost	7,662,567	4,850,197
		<u>26,633,908</u>	<u>22,506,753</u>

9.1.3 Movement in liability recognized in the balance sheet

	At the beginning of the year	49,621,303	38,284,042
	Amount recognized during the year - as shown above	26,633,908	22,506,753
	Benefit payments	(14,341,740)	(11,169,492)
		<u>61,913,471</u>	<u>49,621,303</u>

9.1.4 Allocation of charge for the year

	Cost of sales	27	20,578,036	17,830,790
	Administrative expenses	29	6,055,872	4,675,963
			<u>26,633,908</u>	<u>22,506,753</u>

9.1.5 The principal actuarial assumptions used were as follows

	Discount rate	13%	14%
	Expected rate of increase in salary	12%	13%
	Average expected remaining working life of employees	6 years	5 years

		2012 (Rupees)	2011 (Rupees)
10 TRADE AND OTHER PAYABLES			
Secured			
Creditors	10.1	45,324,358	54,263,669
Un-secured			
Creditors	10.2	31,243,357	136,598,216
Accrued expenses		73,761,610	71,411,693
Un-claimed dividend		961,129	961,129
Workers' (profit) participation fund	10.3	75,372,135	61,059,414
Other liabilities		102,125	102,125
		<u>226,764,714</u>	<u>324,396,246</u>

10.1 These are secured against letter of credits issued by the bankers of the company.

10.2 These include Rs. 0.278 million payable to Chakwal Textile Mills Limited---an associated undertaking.

		2012 (Rupees)	2011 (Rupees)
10.3 Workers' (profit) participation fund			
Opening balance		61,059,414	38,152,021
For the year		8,206,780	19,092,191
Interest recognized during the year	10.3.1	6,105,941	3,815,202
		<u>14,312,721</u>	<u>22,907,393</u>
		75,372,135	61,059,414
Paid during the year		-	-
		<u>75,372,135</u>	<u>61,059,414</u>

10.3.1 The company retains workers' profit participation fund for its business operations. Interest is allocated @ 10% (2011 - 10%) on funds utilized by the company.

		2012 (Rupees)	2011 (Rupees)
11 ACCRUED INTEREST ON LOANS AND BORROWINGS			
Accrued interest / mark up on:			
Long term loans (Secured)		4,161,356	5,289,379
Short term finances (Secured)		42,066,536	51,894,471
		<u>46,227,892</u>	<u>57,183,850</u>
12 SHORT-TERM BORROWINGS			
Banking companies - Secured			
Running / export finance	12.1	1,103,930,721	898,235,263
Related parties - unsecured			
Loan from directors	12.2	409,281	421,630
		<u>1,104,340,002</u>	<u>898,656,893</u>

12.1 This represents short-term finances utilized under mark-up arrangements against aggregate limit of Rupees 1,718.5 million (2011 - Rupees 1,705 million). These arrangements are normally for a period of twelve months and are renewable subject to payment of re-purchase price by specified dates. These facilities are secured against pledge of raw material stock and hypothecation of stock-in trade, foreign bills drawn against letters of credit and personal guarantee of all directors. The mark-up on the above facilities ranges from Rupees to 0.38 to 0.45 per thousand per day.

12.2 This represents interest free loan obtained from directors for working capital requirements of the company.

		2012 (Rupees)	2011 (Rupees)
13	CURRENT PORTION OF NON CURRENT LIABILITIES		
	Supplier's credit	8 69,425,306	-
	Long term loans	6 42,857,148	45,357,148
	Liabilities against assets subject to finance lease	7 9,561,432	1,356,595
		<u>121,843,886</u>	<u>46,713,743</u>

14 **CONTINGENCIES AND COMMITMENTS**

14.1 Contingencies

No provision has been made for the amount of tax demanded by tax authorities of Rs. 5.673 million for various assessment years because the management believes that the outcome of the appeals regarding this demand will be decided in the favour of the company.

14.2 Commitments

		2012 (Rupees)	2011 (Rupees)
(i)	Letter of credits raw material	68.129 Million	Nil
(ii)	Letter of credits Machinery	9.187 Million	251.850 Million

15 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	OWNED													LEASED		Total
	FREEHOLD LAND	OFFICE BUILDING ON FREEHOLD LAND	FACTORY BUILDING ON FREEHOLD LAND	COLONY BUILDING ON FREEHOLD LAND	PLANT AND MACHINERY	TUBE WELLS	ELECTRIC INSTALLATIONS	TOOLS AND EQUIPMENTS	TELEPHONE INSTALLATIONS	OFFICE EQUIPMENTS	FURNITURE AND FIXTURE	VEHICLES	PLANT AND MACHINERY	VEHICLES		
Balance as at July 01, 2011	11,675,239	3,125,084	286,448,336	63,787,656	2,026,701,427	1,545,577	63,017,742	4,241,145	1,017,190	14,394,355	9,834,591	57,088,395	-	4,044,800	2,546,921,535	
Additions	-	-	12,110,141	-	335,577,382	-	9,387,058	-	-	2,125,893	149,401	3,754,891	-	-	363,104,765	
Transfer / Adjustment	-	-	-	-	(22,480,000)	-	-	-	-	-	-	(9,198,465)	22,480,000	9,198,465	-	
Deletions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as at June 30, 2012	11,675,239	3,125,084	298,558,476	63,787,656	2,339,798,809	1,545,577	72,404,799	4,241,145	1,017,190	16,520,248	9,983,991	51,644,821	22,480,000	13,243,265	2,910,026,300	
DEPRECIATION																
Balance as at July 01, 2011	-	1,801,316	150,276,665	37,821,904	1,033,063,587	1,191,592	29,067,062	3,796,765	800,090	4,859,333	6,239,672	28,711,959	-	1,347,510	1,298,976,454	
Charge for the year	-	66,182	7,234,878	1,298,289	51,795,842	32,360	4,190,116	44,438	21,709	1,030,738	370,078	6,119,878	187,333	306,616	72,698,457	
Depreciation on disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer / Adjustment	-	-	-	-	(562,001)	-	-	-	-	-	-	(232,840)	562,001	232,840	-	
Balance as at June 30, 2012	-	1,867,498	157,510,543	39,120,193	1,084,297,428	1,223,952	33,257,178	3,841,203	821,799	5,890,071	6,609,750	34,598,997	749,334	1,886,966	1,371,674,911	
Written Down Value as at June 30, 2012	11,675,239	1,257,586	141,047,933	24,667,463	1,255,501,381	321,625	39,147,621	399,942	195,391	10,630,177	3,374,241	17,045,824	21,730,666	11,356,299	1,538,351,388	
Written Down Value as at June 30, 2011	11,675,239	1,323,768	136,172,671	25,965,752	993,637,840	353,985	33,950,680	444,380	217,100	9,535,023	3,594,919	28,376,436	-	2,697,290	1,247,945,081	
Rates %	-	5%	5%	5%	5%	10%	10%	10%	10%	10%	10%	20%	5%	20%		

15.1 Depreciation/amortization has been apportioned as under : -

	Note	2012 (Rupees)	2011 (Rupees)
Cost of sales	27	72,159,001	63,781,828
Administrative expenses	29	539,456	1,517,285
		<u>72,698,457</u>	<u>65,299,113</u>

16 LONG-TERM LOANS		2012 (Rupees)	2011 (Rupees)
Loans to Executives - Considered good	16.1	7,624,494	5,946,598
Less: Current portion	22	(660,000)	(1,020,000)
		<u>6,964,494</u>	<u>4,926,598</u>

16.1 These represent long term loans made to executives as per policy of the company against house building finance. These are secured against the employees gratuity balances and are free of interest.

Aggregate maximum balance due at the end of any month during the year		<u>6,964,494</u>	<u>4,926,598</u>
Outstanding for more than three years		-	3,060,000
Outstanding for less than three years		<u>6,964,494</u>	<u>1,866,598</u>
		<u>6,964,494</u>	<u>4,926,598</u>

17 LONG-TERM DEPOSITS

Security deposits			
Utilities		10,411,342	10,391,342
Others		150,000	150,000
		<u>10,561,342</u>	<u>10,541,342</u>

	2012	2011
	(Rupees)	(Rupees)
18 LONG TERM INVESTMENTS		
Held as available for sale		
Others - Quoted		
* KASB Modaraba		
166,320 modaraba certificates		
of Rupees 10 each.	795,009	432,432
	<u>795,009</u>	<u>432,432</u>
19 STORES AND SPARES		
Stores	28,244,766	18,256,313
Spares	23,401,987	14,997,448
	<u>51,646,753</u>	<u>33,253,761</u>
20 STOCK-IN-TRADE		
Raw material	858,083,277	657,969,284
Work-in-process	88,960,264	66,763,577
Finished goods	154,240,067	200,567,103
Waste	4,694,463	1,560,008
	<u>1,105,978,071</u>	<u>926,859,972</u>
21 TRADE DEBTS - Considered good		
Foreign - Secured	5,279,421	41,788,676
Local - Un-secured	142,343,477	174,181,625
	<u>147,622,898</u>	<u>215,970,301</u>

21.1 This includes balances receivables from the following associated undertakings: -

	2012	2011
	(Rupees)	(Rupees)
Chakwal Spinning Mills Limited	1,422,363	2,422,363
Chakwal Textile Mills Limited	-	107,143
Yousaf Weaving Mills Limited	5,242,426	5,173,238
Khawaja Mohammad Jawed (Pvt) Ltd	2,719,000	219,000
	<u>9,383,789</u>	<u>7,921,744</u>

		2012	2011
		(Rupees)	(Rupees)
22 LOANS AND ADVANCES			
Current portion of loans to executives		660,000	1,020,000
Advances - considered good			
Suppliers and contractors		29,151,879	18,594,786
Staff		19,824,441	13,333,106
Letters of credit		336,079	6,447,068
		<u>49,972,399</u>	<u>39,394,959</u>
23 TRADE DEPOSITS AND OTHER RECEIVABLES			
Deposits			
Margin with banks		18,079,291	20,256,941
Other receivables - considered good			
Sales tax receivable		23,025,544	29,101,583
Income tax receivable		-	20,524,901
Accrued interest		-	872,750
		<u>41,104,835</u>	<u>70,756,175</u>
24 SHORT TERM INVESTMENT			
In term deposit accounts	24.1	-	36,500,000
		<u>-</u>	<u>36,500,000</u>
24.1			
Term deposit account amounting to Rupees Nil million (2011 - Rupees 36.50 million) was under lien against the liabilities mentioned in Note 12 and carried interest Nil (2011- 5%). During the year, this investment was encashed to settle said liabilities.			
25 CASH AND BANK BALANCES			
Cash in hand		109,136	318,763
Cash at banks			
In current accounts		3,437,586	6,638,925
In saving accounts		2,883,060	28,876
		<u>6,429,782</u>	<u>6,986,564</u>

		2012 (Rupees)	2011 (Rupees)
26 SALES - NET			
Local		4,129,630,270	4,614,662,544
Export		<u>1,498,224,433</u>	<u>2,194,504,752</u>
		<u>5,627,854,703</u>	<u>6,809,167,296</u>
27 COST OF SALES			
Raw material consumed	27.1	3,931,188,275	4,889,078,569
Salaries, wages and benefits	27.2	358,249,271	345,703,739
Fuel and power		484,392,358	463,539,947
Insurance		18,121,371	18,111,910
Packing material		99,648,102	93,574,649
Repairs and maintenance		3,567,167	21,099,904
Stores and spares consumed		60,266,834	92,317,703
Miscellaneous		15,552,017	16,165,628
Depreciation/amortization	15	<u>72,159,001</u>	<u>63,781,828</u>
		5,043,144,396	6,003,373,877
Work-in-process			
Opening		66,763,577	37,372,539
Closing		<u>(88,960,264)</u>	<u>(66,763,577)</u>
Cost of goods manufactured		5,020,947,709	5,973,982,839
Finished goods			
Opening stock		202,127,111	139,014,956
Closing stock		<u>(158,934,530)</u>	<u>(202,127,111)</u>
		<u>5,064,140,290</u>	<u>5,910,870,684</u>
27.1 RAW MATERIAL CONSUMED			
Opening stock		657,969,284	833,149,446
Purchases		<u>4,152,425,821</u>	<u>4,786,068,261</u>
		4,810,395,105	5,619,217,707
Cost of raw material sold/damage		<u>(21,123,553)</u>	<u>(72,169,854)</u>
		4,789,271,552	5,547,047,853
Closing stock		<u>(858,083,277)</u>	<u>(657,969,284)</u>
		<u>3,931,188,275</u>	<u>4,889,078,569</u>

27.2 It includes Rs.20,578,036 (2011 : Rs.17,830,790) in respect of gratuity.

		2012 (Rupees)	2011 (Rupees)
28 DISTRIBUTION COST			
Local expenses including freight and octroi		31,874,220	38,612,279
Export expenses including freight		<u>56,793,939</u>	<u>90,052,956</u>
		<u>88,668,159</u>	<u>128,665,235</u>
29 ADMINISTRATIVE			
Salaries, wages and benefits	29.1	47,169,722	36,032,719
Travelling and conveyance		6,444,123	9,188,559
Rent, rates and taxes		1,823,265	1,501,283
Printing and stationery		909,162	773,529
Communications		6,244,255	6,184,193
Entertainment		2,497,843	4,308,751
Electricity and gas		4,851,251	4,048,323
Vehicles running		10,876,956	10,229,068
Fees and subscriptions		2,096,734	1,979,903
Legal & Professional		362,850	92,000
Repairs and maintenance		3,319,512	9,367,319
Guest house expenses		521,421	259,440
Donations	29.2	46,821	5,357,600
Advertisement		43,633	116,000
Miscellaneous		4,064,300	854,653
Depreciation/amortization	15	<u>539,456</u>	<u>1,517,285</u>
		<u>91,811,304</u>	<u>91,810,625</u>
29.1	It includes Rs.6,055,872 (2011 : Rs.4,675,963) in respect of gratuity.		
29.2	None of the directors or their spouses had any interest in any of the donees.		
30 FINANCE COST			
Interest / mark-up on:			
Long term loans		20,796,310	8,037,843
Finance leases		1,152,146	3,177,451
Short-term borrowings		175,973,625	230,663,062
Workers profit participation fund		6,105,941	3,815,202
Bank charges and commissions		17,108,077	43,722,413
Inland Letter's of Credit Charges		<u>6,416,750</u>	<u>12,337,720</u>
		<u>227,552,849</u>	<u>301,753,691</u>
31 OTHER OPERATING EXPENSES			
Auditor's remuneration	31.1	700,000	600,000
Workers profit participation fund		<u>8,206,780</u>	<u>19,092,191</u>
		<u>8,906,780</u>	<u>19,692,191</u>

		2012 (Rupees)	2011 (Rupees)
31.1 Auditor's remuneration			
Statutory audit		600,000	500,000
Half yearly review and review of code of corporate governance		100,000	100,000
		<u>700,000</u>	<u>600,000</u>
32 OTHER OPERATING INCOME			
Gain on sale of fixed assets		-	897,439
Profit on short term deposits		1,947,750	3,590,777
Profit on sale of raw material	32.1	147,446	1,788,680
Profit from trading activity		5,834,666	-
Dividend Income		95,800	-
Miscellaneous		1,127,836	99,862
		<u>9,153,498</u>	<u>6,376,758</u>
32.1 Profit on sale of raw material			
Gross Sales		21,270,999	73,958,534
Less Cost of Sales		<u>(21,123,553)</u>	<u>(72,169,854)</u>
		<u>147,446</u>	<u>1,788,680</u>
33 TAXATION			
Current year	33.1	56,278,547	71,184,298
Prior year	33.2	(6,753,192)	-
		49,525,355	71,184,298
Less: Paid / adjusted		<u>(45,961,707)</u>	<u>(71,184,298)</u>
		<u>3,563,648</u>	<u>-</u>

33.1 This represents liability provided under section 113 and 154 of the Income Tax Ordinance, 2001 on the basis of gross turnover from all sources.

33.2 This represents income tax refund for the prior tax years.

33.3 The income tax assessment of the company has been finalized upto and including tax year 2011 by deeming provisions of income tax ordinance 2001, however appeals before different appellate forums are pending on various legal issues.

33.4 No numeric tax rate reconciliation is presented in these financial statements as the Company is liable to pay minimum tax of 1%.

33.5 Deferred tax asset amounting to Rs. 33.557 million arising mainly due to brought forward losses amounting to Rs. 831.553 million has not been recognized in the current year, as the attributable temporary differences are not expected to reverse in the foreseeable future.

	2012 (Rupees)	2011 (Rupees)
34 EARNINGS PER SHARE - Basic		
Profit after taxation	106,403,464	291,567,330
Weighted average number of ordinary shares	130,000,000	130,000,000
Earnings per share - Basic	<u>0.82</u>	<u>2.24</u>

34.1 Diluted earning per share

There is no dilution effect on the basic earning per share of the Company as the company has no such commitments.

	2012 (Rupees)	2011 (Rupees)
35 CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	155,928,819	362,751,628
Adjustments of non cash charges and other items		
Depreciation / amortization	72,698,457	65,299,113
Gratuity	26,633,908	22,506,753
Workers Profit Participation Fund	8,206,780	19,092,191
Gain on sale of fixed assets	-	(897,439)
Interest Income	(1,947,750)	(3,590,777)
Dividend income	(95,800)	-
Finance cost	227,552,849	301,753,691
Operating profit before working capital changes	<u>488,977,263</u>	<u>766,915,160</u>
(Increase)/decrease in current assets		
Stores and spares	(18,392,992)	(3,072,483)
Stock-in-trade	(179,118,099)	82,676,969
Trade debts	68,347,403	(51,833,808)
Loan and advances	(10,937,439)	89,935,382
Trade deposits, prepayments & other receivables	8,253,689	(8,667,962)
Short term Investment	36,500,000	5,000,000
	<u>(95,347,438)</u>	<u>114,038,098</u>
(Decrease)/Increase in current liabilities		
Trade and other payables	(105,838,312)	(25,501,959)
	<u>287,791,513</u>	<u>855,451,299</u>

36 DIRECTORS AND EXECUTIVES REMUNERATION

	2012 (Rupees)	2012 (Rupees)	2011 (Rupees)	2011 (Rupees)
	DIRECTORS	EXECUTIVES	DIRECTORS	EXECUTIVES
Remuneration	8,990,000	10,182,544	4,616,380	9,909,484
House rent	4,045,500	4,582,145	2,077,370	4,459,268
Medical	2,661,647	566,885	2,030,606	847,396
Gratuity	-	1,230,391	-	1,197,396
Utilities	449,500	509,127	1,176,134	578,092
	16,146,647	17,071,092	9,900,490	16,991,636
No's	4	10	4	10

The Chief Executive, Directors and certain Executives were provided with company owned and maintained cars.

37 TRANSACTIONS WITH RELATED PARTIES

37.1 Transactions with related parties comprise associated undertakings and other related parties through directorship and close family members of the directors of the company.

Transactions with related parties undertaken during the year were as follows:-

	2012 (Rupees)	2011 (Rupees)
Purchases of raw materials, goods and services (Yousaf Weaving Mills Limited)	-	9,395,500
Purchases of raw materials, goods and services (Chakwal Textile Mills Limited)	24,834,996	4,503,181
	24,834,996	13,898,681
Sales of raw materials, goods and services (Yousaf Weaving Mills Limited)	614,900	21,868,000
Sales of raw materials, goods and services (Chakwal Spinning Mills Limited)	-	3,040,000
Sales of raw materials, goods and services (Chakwal Textile Mills Limited)	4,200,054	3,020,400
	4,814,954	27,928,400
Aggregate maximum balance due at the end of any month during the year.	11,652,952	26,068,843

38 Financial Risk Management

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

Market Risk
Credit Risk
Liquidity Risk

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

a) Market Risk**i) Currency Risk**

Currency risk is the risk that the fair value of 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 the amounts receivable from / payable to foreign entities. The Company's exposure to currency risk was as follows:

	2012	2011
	Rupees in thousand	
Trade debts-USD	5,279	41,789
Supplier's credit-Euro	208,280	N/A
The following significant exchange rates were applied during the year.		
Average rate (Rupees per US Dollar)	88.29	84.85
Reporting date rate (Rupees per US Dollar)	94.30	85.95
Average rate (Rupees per Euro)	117.84	N/A
Reporting date rate (Rupees per Euro)	120.80	N/A

Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However the company is not materially exposed to foreign currency risk on assets and liabilities. As at June 30, 2012 financial assets include Rs.5.279 million (2011: Rs.41.789 million) and financial liabilities include Rs. 208.280 million (2011: Rs. Nil) which are subject to foreign currency risk against US Dollars and Euro respectively.

Foreign Currency Sensitivity Analysis

At June 30, 2012 if the Rupee had weakened / strengthened by 10% against the US Dollar and Euro with all other variables held constant, profit for the year would have been lower / higher by Rs. 20.300 million (2011: Rs.4.1789 million) mainly as a result of foreign exchange gains / losses on transaction of foreign currency trade debts and US Dollar and Euro denominated borrowings.

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 marker prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to equity and commodity price risk.

Sensitivity analysis

A change of 5% in the value of investment at fair value through profit and loss would have increased/decreased profit or loss by Rs. Nil (2011: Rs.1.825 million) on the basis that all other variables remain constant.

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, lease liabilities and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

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

	2012 Rupees	2011 Rupees
Floating rate instruments		
Financial Liabilities		
Long term financing	57,142,852	145,722,566
Liabilities against assets subject to finance lease	21,135,672	398,911
Short term borrowings	1,103,930,721	898,235,263
Financial Assets		
Bank Balances - Saving Accounts	2,883,060	28,876

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs. 11.793 million (2011: Rs. 10.893 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. The analysis is prepared assuming the amounting of liabilities outstanding at balance sheet dates were outstanding for the whole year.

b) Credit Risk

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

	2012 Rupees	2011 Rupees
Long term loans	6,964,494	4,926,598
Long term deposits	10,561,342	10,541,342
Trade debts	147,622,898	215,970,301
Advances, trade deposits and other receivables	49,972,399	40,267,709
Short term investment	-	36,500,000
Cash and bank balances	6,429,782	6,986,564

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating. The names and credit rating of major banks where the Company maintains its bank balances are as follows.

Name of Bank	Rating Agency	Credit Rating	
		Short-term	Long-term
Faysal Bank Limited	PACRA	A1+	A1+
Muslim Commercial Bank Limited	PACRA	A-1+	A-1+
National Bank of Pakistan Limited	JCR-VIS	A-1+	A-1+
Habib Metropolitan Bank Limited	PACRA	A1+	A1+

c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 1558 million worth short term borrowing limits available from financial institutions and Rs. 6.429 million cash and bank balances. Following are the contractual maturities of

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

	Carrying Amount Rupees	Contractual cash flows Rupees	Less than 1 year Rupees	Between 1 to 5 years Rupees	5 years and above Rupees
Supplier's credit	208,280,426	208,280,426	69,425,306	138,855,120	-
Long-term finances	100,000,000	118,717,188	55,296,438	63,420,750	-
Liabilities against leased assets	30,697,104	38,880,309	14,125,014	24,755,295	-
Trade and other payables	226,764,714	226,764,714	226,764,714	-	-
Accrued interest	46,227,892	46,227,892	46,227,892	-	-
Short term finances	1,103,930,721	1,257,045,912	1,257,045,912	-	-

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

	Carrying Amount Rupees	Contractual cash flows Rupees	Less than 1 year Rupees	Between 1 to 5 years Rupees	5 years and above Rupees
Long-term finances	191,079,714	227,040,319	65,159,238	161,881,081	-
Liabilities against leased assets	1,755,506	2,046,576	1,607,863	438,713	-
Trade and other payables	324,396,246	324,396,246	324,396,246	-	-
Accrued interest	57,183,850	57,183,850	57,183,850	-	-
Short term finances	898,235,263	1,045,386,558	1,045,386,558	-	-

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 respective notes to these financial statements.

38.2 Fair values of financial assets and liabilities

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

38.3 Capital Risk Management

The Company's prime object when managing capital to safeguard its ability to continue as a going concern in order to provide adequate 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, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2012 (Rupees)	2011 (Rupees)
Total borrowings	1,558,073,573	1,440,957,829
Less: Cash and bank balances	6,429,782	6,986,564
Net debt	<u>1,551,643,791</u>	<u>1,433,971,265</u>
Total equity	780,639,714	673,873,673
Total capital employed	<u>2,332,283,505</u>	<u>2,107,844,938</u>
Gearing ratio	66.53%	68.03%

39 PLANT CAPACITY AND PRODUCTION

	2012	2011
Number of spindles installed	78,504	78,504
Installed capacity in 20's count based on triple shift for 365 (2011 - 365) days (kgs) - Approximately	35,336,548	35,336,548
Actual production after conversion into 20's count (kgs)	31,711,363	32,846,578

The conversion into 20's count depicts the approximate efficiency as it fluctuates with changes in count of yarn spun and count mix in a particular period.

40 NUMBER OF EMPLOYEES

The total number of permanent employees at the year end were 2,765 (2011 - 3,037).

41 DATE OF AUTHORIZATION OF ISSUE

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

42 GENERAL

Figures have been rounded off to the nearest rupees.

Lahore
October 09, 2012


CHIEF EXECUTIVE


DIRECTOR