

**2.17 Dividend and other appropriations**

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

**2.18 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.

			NOTE	2012 Rupees	2011 Rupees	
<b>3</b>	<b>ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL</b>					
	2012 (Number of Shares)	2011				
	2,952,429	2,952,429	Ordinary shares of Rupees 10 each fully paid-up in cash	29,524,290	29,524,290	
	100,000	100,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	1,000,000	1,000,000	
	<u>3,052,429</u>	<u>3,052,429</u>		<u>30,524,290</u>	<u>30,524,290</u>	
<b>4</b>	<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED INCOME TAX</b>					
	Opening balance			561,787,617	573,661,722	
	Surplus on revaluation of property, plant and equipment during the year			3,091,483	-	
	Related deferred income tax liability			15,682,981	-	
				18,774,464	-	
	Transferred to accumulated loss in respect of surplus realized on disposal of revalued property, plant and equipment			(209,673)	(11,097,804)	
	Related deferred income tax liability			73,386	3,884,231	
				(136,287)	(7,213,573)	
	Transferred to accumulated loss in respect of incremental depreciation charged during the year			(6,398,045)	(7,170,050)	
	Related deferred income tax liability			2,239,316	2,509,518	
				(4,158,729)	(4,660,532)	
				<u>576,267,065</u>	<u>561,787,617</u>	
<b>5</b>	<b>LONG TERM FINANCING</b>					
	Financing from banking companies - secured			5.1	73,193,999	73,193,999
	Less: Current portion shown under current liabilities			12	73,193,999	73,193,999
					-	-

5.1

LENDER	2012	2011	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	-----Rupees-----						
NIB Bank Limited	73,193,999	73,193,999	3 Month KIBOR+ 4.25% with floor 14%	Twenty four equal quarterly installments, commenced from 26 July 2005.	First working day of July and January.	Quarterly	First equitable charge of Rupees 360 million on land, building and machinery, hypothecation of current assets and personal guarantees of sponsor directors.
	<u>73,193,999</u>	<u>73,193,999</u>					

	NOTE	2012 Rupees	2011 Rupees
<b>6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Future minimum lease payments		57,300,007	132,099,595
Less: Unamortized finance charges		(10,297,795)	(22,785,015)
Present value of future minimum lease payments		47,002,212	109,314,580
Less: Current portion shown under current liabilities	12	47,002,212	65,416,801
		-	43,897,779

6.1 Future minimum lease payments has been discounted at an implicit interest rate ranging from 15.02% to 18.95% (2011: 15.02% to 18.17% ) per annum to arrive at their present value.

Lease rentals are payable in monthly installments. In some leases, in case of default, an additional charge at the rate ranging from 1.13 Rupees to 7.01 Rupees per thousand per day shall be payable. Taxes, repairs and insurance cost are to be borne by the Company. The Company shall have no right to terminate the lease agreement and if the lease agreement is terminated, the Company shall pay the entire amount for unexpired period of lease agreement. Lease agreements are renewable at the option of lessor on such terms as may be agreed upon. Liabilities are secured against charge on leased assets, personal guarantees of sponsor directors and security deposit of Rupees 10,649,415 (2011: Rupees 24,327,081).

6.2 Future minimum lease payments and present value of minimum lease payments are regrouped as under:

	2012		2011	
	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
	-----Rupees-----		-----Rupees-----	
Due not later than one year	57,300,007	47,002,212	82,691,723	65,416,801
Due later than one year not later than five years	-	-	49,407,872	43,897,779
	57,300,007	47,002,212	132,099,595	109,314,580
			<b>2012 Rupees</b>	<b>2011 Rupees</b>

## 7 DEFERRED INCOME TAX LIABILITY

This comprises of following :

### Taxable temporary differences

Accelerated tax depreciation	44,574,670	26,098,898
Surplus on revaluation of property, plant and equipment	18,512,366	36,508,049
Liabilities against assets subject to finance lease	7,225,037	14,478,189
	70,312,073	77,085,136

### Deductible temporary difference

Provision for gratuity	(2,840,281)	(3,675,488)
Overdue markup of leased liability	(2,689,465)	(4,364,593)
Deferred markup of leased liability	(2,419,349)	(3,644,030)
	(7,949,095)	(11,684,111)
	62,362,978	65,401,025

7.1 The net deferred income tax asset of Rupees 80.140 million (2011: Rupees 52.56 million) has not been recognized in these financial statements as the temporary differences are not expected to reverse in foreseeable future because taxable profits will not be probably available against which the temporary differences can be utilized.

	NOTE	2012 Rupees	2011 Rupees
<b>8 DEFERRED MARK-UP</b>			
Deferred markup - long term financing	8.1	5,748,044	6,919,143
Deferred markup - finance leases	8.2	6,912,426	12,470,214
		12,660,470	19,389,357
Less: Current portion shown under current liabilities	12	8,205,100	9,323,709
		4,455,370	10,065,648

8.1 MCB Bank Limited (MCB) has deferred payment of capitalized mark-up of Rupees 6.995 million (2011: Rupees 8.815 million) which will be repaid in 15 equal quarterly installments of Rupees 455,000 and one installment of Rupees 170,000 in the end commenced from 01 September 2009, after repayment of original demand finance. The deferred mark-up has been stated at present value using effective interest rate of 10%. Deferred markup is secured against charge over fixed assets amounting to Rupees 51.288 millions.

8.2 This represents amounts of deferred markup on finance leases payable by the Company through future payments and stated at present value using effective interest rate ranging from 15.02% to 18.95% (2011: 15.02% to 18.17% ) per annum to arrive at their present value.

	NOTE	2012 Rupees	2011 Rupees
<b>9 TRADE AND OTHER PAYABLES</b>			
Creditors un-secured		74,744,518	74,520,632
Advances from customers		2,811,367	5,882,648
Accrued liabilities		24,598,606	26,971,946
Withholding tax payable		6,085,557	6,071,886
Unclaimed dividend		144,947	144,947
Others		65,328	211,515
		<u>108,450,323</u>	<u>113,803,574</u>
<b>10 ACCRUED MARK-UP</b>			
Long term financing		56,101,178	45,539,284
Liabilities against assets subject to finance lease		7,684,186	10,411,514
Additional markup on overdue loans		3,166,389	3,166,389
Short term borrowings		49,533,956	37,989,776
		<u>116,485,709</u>	<u>97,106,963</u>
<b>11 SHORT TERM BORROWINGS</b>			
<b>From banking companies - secured</b>			
Running finances	11.1	23,698,540	23,698,540
Demand finances	11.2	41,738,712	41,738,712
		<u>65,437,252</u>	<u>65,437,252</u>
<b>From related parties - unsecured and non interest bearing</b>			
Chief Executive Officer (C.E.O.)	11.3	37,739,100	6,427,896
Famous Securities (SMC - Private) Limited		-	9,285,591
Close family members of C.E.O.	11.3	4,548,370	1,500,000
		<u>42,287,470</u>	<u>17,213,487</u>
<b>Others - unsecured and interest bearing</b>	11.4	1,250,000	2,500,000
		<u>108,974,722</u>	<u>85,150,739</u>
11.1	It is secured against first equitable charge on land, building and machinery, hypothecation charge on current assets and personal guarantees of three sponsor directors. Rate of mark up on this finance is 39.53 paisa (2011: 39.53 paisa) per thousand per day.		
11.2	These represent demand finance facility of Rupees 56.122 million obtained from Faysal Bank Limited (formally The Royal Bank of Scotland Limited) and NIB Bank Limited. These are secured against registered hypothecation charge of Rupees 50 million, second supplement agreement of hypothecation on all future and current assets, stocks of raw material, work in process, finished goods, plant and machinery, equipment tools and stores and spares. Rates of mark up on these finances range from 50 paisa to 60 paisa (2011: 50 paisa to 60 paisa) per thousand per day.		
11.3	These are interest free and unsecured loans. Repayment terms and other conditions of these loans are yet to be		
11.4	The rate of mark up on this loans is 20% per annum. Repayment terms and other conditions of this loan are yet to be finalized.		

	NOTE	2012 Rupees	2011 Rupees
<b>12 CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
Long term financing:			
Current	5	-	-
Over due		73,193,999	73,193,999
		<u>73,193,999</u>	<u>73,193,999</u>
Finance leases:			
Current	6	26,865,813	34,545,376
Over due		20,136,399	30,871,425
		47,002,212	65,416,801
Deferred mark-up			
Current		3,416,339	5,234,526
Over due		4,788,761	4,089,183
		8,205,100	9,323,709
		<u>128,401,311</u>	<u>147,934,509</u>

### 13 CONTINGENCIES AND COMMITMENTS

#### 13.1 Contingencies

- (a) Sui Northern Gas Pipelines Limited (SNGPL) Islamabad demanded arrears of Rupees 10.405 million for the period from November 2006 to November 2007 due to doubt on accuracy of meter. The Company filed a case in the Court of Senior Civil Judge Islamabad on 18 December 2007. SNGPL has encashed the bank guarantee amounting to Rupees 15.293 million issued to it by NIB Bank Limited on behalf of the Company. The Company, based on advice of its legal counsel, is hopeful for recovering this balance from SNGPL. Consequently, no provision there against has been made in these financial statements and this amount has been shown as a long term deposit with SNGPL in ".....".
- (b) The Company has filed an appeal before Lahore High Court, Rawalpindi Bench against the recovery of electricity duty amounting to Rupees 19.07 million on self generation charged by Electric Inspector Islamabad Region. The Court has issued notices to the respondents to file comments. The case is still pending before the Court and the Company, based on advice of legal advisor, is hopeful for favorable outcome.
- (c) The Company has filed an appeal before Lahore High Court, Rawalpindi Bench against the recovery of property tax of Rupees 5.51 million charged by Inspector Military Lands and Cantonments, Rawalpindi region.
- (d) For tax year 2010, assessment order dated 20 February 2011 has been passed under section 122(1) read with section 122(5) of Income Tax Ordinance, 2001 by the Deputy Commissioner Inland Revenue, whereby demand of tax amounting to Rupees 4.223 million has been created. The Company filed an appeal before Commissioner Inland Revenue (Appeals) and the case has been decided in favour of the Company. However, the department has filed appeal against decision of Commissioner Inland Revenue (Appeals) before Income Tax Appellate Tribunal. The case is still pending and Company is hoping favourable outcome.
- (e) The Company filed an appeal before Lahore High Court, Rawalpindi Bench, Rawalpindi, against conservancy charges amounting to Rupees 420,000 (Rupees 60,000 per annum) from the year 2003 to 2009 charged by Cantonment Board Rawalpindi. The Court has issued a notice for suspension of recovery of these charges. The case is still pending before the Court.
- (f) NIB Bank Limited has filed a suit before Lahore High Court against the Company for recovery of outstanding loans and other charges amounting to Rupees 165.041 million. The suit is pending adjudication before Lahore High Court. The Company has filed a counter suit against NIB Bank limited before Islamabad High Court.
- (g) Guarantees of Rupees 1.021 million (2011: Rupees .0822 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connection.

	2012 Rupees	2011 Rupees
13.2 Commitments	Nil	Nil

14.2 During the year, as a result of closure of mill, the company carried out a review of recoverable amount of the manufacturing plant and related equipment. The review leads to the recognition of impairment loss of Rupee 18.554 million which has been recognized in profit and loss account. The recoverable amount of the relevant assets has been determined on the basis of their fair values.

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

Description	Qty	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Gain/(loss)	Mode of disposal	Particulars of purchaser
-----Rupees-----								
Owned								
Plant and machinery:								
Boge Compressor S61	1	1,101,527	411,336	690,191	400,000	(290,191)	Negotiation	Bilal Fibres Limited - related party
Simplex Machine - FL 16	1	1,200,000	379,454	820,546	1,300,000	479,454	Negotiation	Bilal Fibres Limited - related party
Drawings Toyoda DYH 500C	2	1,600,000	389,425	1,210,575	1,300,000	89,425	Negotiation	Bilal Fibres Limited - related party
Drawings Toyoda DYH 500C	1	960,000	238,234	721,766	770,000	48,234	Negotiation	Bilal Fibres Limited - related party
Simplex Machine Howa RME	1	1,400,000	403,526	996,474	2,100,000	1,103,526	Negotiation	Imperial Textile Mills Limited
Vehicles:								
Honda Civic RIX 3296	1	1,085,220	1,017,970	67,250	350,000	282,750	Negotiation	Mr. Adil Masih
Cultus RLC 325	1	629,035	132,447	496,588	535,000	38,412	Negotiation	Mr. Syed Ahmed Shah
<b>Total Amount</b>		<b>7,975,782</b>	<b>2,972,392</b>	<b>5,003,390</b>	<b>6,755,000</b>	<b>1,751,610</b>		

14.4 The revaluation of property, plant and equipment was carried out by an independent valuer K.S.Ahmad & Co Surveyors and Valuers as on 30 June 2012 on the basis of depreciated replacement value method. Had there been no revaluation, the cost, accumulated depreciation and book value of revalued property, plant and equipment would have been as follows:

Description	2012			2011
	Historical cost	Accumulated depreciation	Book value	Book value
----- Rupees -----				
Freehold land	113,044	-	113,044	113,044
Factory Building on free hold land	43,190,483	32,157,100	11,033,383	13,621,460
Non factory building	12,505,284	5,768,332	6,736,952	7,464,767
Plant and machinery	290,173,995	174,745,324	115,428,671	83,567,550
Factory equipment	13,017,498	11,044,798	1,972,700	2,183,837
Electric installations	8,687,471	5,938,409	2,749,062	3,404,742
Furniture and fixture	2,312,105	1,797,781	514,324	634,968
Vehicles	7,546,160	5,097,320	2,448,840	3,194,965
	<b>377,546,040</b>	<b>236,549,064</b>	<b>140,996,976</b>	<b>114,185,333</b>

## 15 ADVANCE AGAINST PROPERTY

It represents full consideration of Rupees 51.150 million given as advance for purchase of property. The Property has not yet been transferred in the Company's name due to the want of completion of legal formalities. With reference to this advance, the Director (Enforcement) of Securities and Exchange Commission of Pakistan (SECP) vide his Order dated 29 November 2007 imposed a penalty of Rupees 100,000 on each of the director except one (nominee NIT) of the Company for contravention of Section 196(2j) of Companies Ordinance, 1984. Further directions were given under section 473 for transferring the property in the name of the Company within thirty days from the Order date. The Chief Executive Officer of the Company has filed a revision application with the Appellate Bench of SECP under section 484 of Companies Ordinance, 1984 against this Order on 10 January 2008, where the case is still pending. The Chief Executive Officer also filed an appeal under section 485 of the Companies Ordinance, 1984 read with Section 34 of SECP Act, 1997 before the Lahore High Court Rawalpindi Bench whereby stay order was granted to suspend the operation of above said impugned order.

	NOTE	2012 Rupees	2011 Rupees
<b>16 LONG TERM INVESTMENTS - Held to Maturity</b>			
Defense saving certificates (DSCs)		1,340,221	1,340,221
Term deposit receipts		643,000	643,000
		<u>1,983,221</u>	<u>1,983,221</u>
Less : Current portion shown under current assets	24	643,000	643,000
		<u>1,340,221</u>	<u>1,340,221</u>
16.1	Return on DSCs is payable on maturity at the rates ranging from 14.01% to 15.97% (2011: 14.01% to 15.97%) per annum for a period of 10 years. The Term deposit receipt amounting to Rupees 643,000 is issued for two years and carries interest @ 10% per annum. These certificates and TDR's are deposited with the banks as securities against guarantees given on behalf of the Company.		
	NOTE	2012 Rupees	2011 Rupees
<b>17 LONG TERM DEPOSITS</b>			
Security deposits		34,138,121	47,815,787
Less : Current portion shown under current assets	22	10,649,415	14,383,885
		<u>23,488,706</u>	<u>33,431,902</u>
<b>18 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		587,433	1,052,766
Spare parts		4,334,669	5,104,834
Loose tools		18,839	18,839
		<u>4,940,941</u>	<u>6,176,439</u>
<b>19 STOCK-IN-TRADE</b>			
Raw material		2,440,017	7,185,230
Finished goods		-	21,322,565
Waste		-	531,024
		<u>2,440,017</u>	<u>29,038,819</u>
19.1	Stock in trade of Rupees Nil (2011: Rupees 57.015 million) respectively is valued at net realizable value.		
19.2	The aggregate amount of write down of inventories to net realizable value recognized as an expense during the year was Rupees Nil (2011: Rupees 32,029,368).		
<b>20 TRADE DEBTS - Unsecured</b>		2012 Rupees	2011 Rupees
- Considered good		42,631	4,230,322
		<u>42,631</u>	<u>4,230,322</u>
As at 30 June 2012, trade debts amounting to Rupees 0.0426 million (2011: Rupees 4.23 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:			
	NOTE	2012 Rupees	2011 Rupees
Up to 1 month		-	4,099,793
1 to 6 months		-	99,234
More than 6 months		42,631	31,295
		<u>42,631</u>	<u>4,230,322</u>
<b>21 ADVANCES</b>			
<b>Considered good:</b>			
Employees - interest free		60,410	1,542,518
Advances to suppliers		3,283,410	2,902,740
		<u>3,343,820</u>	<u>4,445,258</u>
<b>22 SHORT TERM DEPOSITS</b>			
Current portion of long term deposits	17	10,649,415	14,383,885
Deposit for acquisition of machinery	22.1	2,000,000	2,000,000
		<u>12,649,415</u>	<u>16,383,885</u>
22.1	It represents the amount recoverable from Messrs Fauji Foundation. The amount is considered good as the Court has decided the case in favour of the Company on 10 June 1999. Fauji Foundation has, however, filed appeal before Honorable Lahore High Court, Rawalpindi Bench, against the aforesaid order, and provided bank guarantee of Rupees 2 million to the Court. Honorable High Court remanded the case to the Civil Court who decided against the Company. The Company has filed petition in Lahore High Court Rawalpindi Bench, where the case is still pending.		



	NOTE	2012 Rupees	2011 Rupees
<b>27.1 Raw material consumed</b>			
Opening stock		7,185,230	11,101,287
Add : Purchases during the year		-	631,799,384
		<u>7,185,230</u>	<u>642,900,671</u>
Cost of raw material sold		(4,745,213)	(24,173,809)
Less : Closing stock		<u>(2,440,017)</u>	<u>(7,185,230)</u>
		<u>-</u>	<u>611,541,632</u>
<b>28 DISTRIBUTION COST</b>			
Salaries, and other benefits		605,360	2,986,656
Outward freight and handling		17,300	929,147
Commission to selling agents		256,000	178,000
		<u>878,660</u>	<u>4,093,803</u>
<b>29 ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits		4,502,431	7,416,179
Rent, rates and taxes		1,068,000	1,106,261
Printing and stationery		140,927	438,902
Postage and telephone		374,325	597,300
Traveling and conveyance		1,646,345	1,263,804
Vehicles' running		1,263,982	1,995,847
Entertainment		195,437	230,185
Advertisement		78,850	160,420
Legal and professional		485,000	1,271,682
Fees and subscriptions		503,886	337,914
Depreciation	14.1	2,552,949	2,925,009
		<u>12,812,132</u>	<u>17,743,503</u>
<b>30 OTHER OPERATING EXPENSES</b>			
Auditors' remuneration	30.1	548,713	475,140
Impairment of property, plant and equipment		18,554,742	-
Donations	30.2	225,940	459,690
Loss on sale of property, plant and equipment		-	7,194,436
		<u>19,329,395</u>	<u>8,129,266</u>
<b>30.1 Auditors' remuneration</b>			
Audit fee		455,000	355,000
Half yearly review		50,000	35,000
Reimbursable expenses		43,713	85,140
		<u>548,713</u>	<u>475,140</u>
30.2 There is no interest of any directors or there spouses in donees' fund.			
<b>31 OTHER OPERATING INCOME</b>			
<b>Income from financial assets</b>			
Profit on deposits with banks		9,068	40,563
Return on defense saving certificates		-	160,958
Return on term deposit receipts		74,476	64,299
Gain on settlement of liabilities against assets subject to finance lease		26,724,643	-
Long outstanding creditors written back		2,509,561	15,323
Miscellaneous		44,679	-
<b>Income from non-financial assets</b>			
Gain on sale of property, plant and equipment		1,751,610	-
		<u>31,114,037</u>	<u>281,143</u>
<b>32 FINANCE COST</b>			
Mark-up on:			
Long term financing		10,561,894	10,561,897
Liabilities against assets subject to finance lease		6,108,522	10,971,896
Deferred mark-up		1,570,276	2,360,214
Short term borrowings		11,951,030	12,125,631
		<u>30,191,722</u>	<u>36,019,638</u>
Bank charges and commissions		14,880	197,290
		<u>30,206,602</u>	<u>36,216,928</u>

		2012 Rupees	2011 Rupees
<b>33</b>	<b>EMPLOYEES' RETIREMENT BENEFIT</b>		
	The amounts recognized in financial statements are determined as follows :		
	<b>Balance sheet obligation for gratuity</b>		
	Present value of unfunded defined benefit obligation	8,115,091	10,501,395
	<b>Movement in liability recognized in the balance sheet</b>		
	At the beginning of the year	10,501,395	12,353,743
	Current service cost	355,982	2,389,789
	Interest cost	1,260,167	1,482,449
	Actuarial loss	881,334	-
	Benefit paid during the year	(4,883,787)	(5,724,586)
	At the end of the year	<u>8,115,091</u>	<u>10,501,395</u>
	<b>Amount recognized in profit and loss account</b>		
	Current service cost	355,982	2,389,789
	Interest cost for the year	1,260,167	1,482,449
	Actuarial loss on present value of defined benefit obligations	881,334	-
		<u>2,497,483</u>	<u>3,872,238</u>
	<b>Changes in present value of defined benefit obligations</b>		
	Present value of defined benefit obligations	10,501,395	12,353,743
	Current service cost	355,982	2,389,789
	Interest cost for the year	1,260,167	1,482,449
	Benefits paid during the year	(4,883,787)	(5,724,586)
	Actuarial loss on present value of defined benefit obligations	881,334	-
		<u>8,115,091</u>	<u>10,501,395</u>
	<b>Principal actuarial assumptions used</b>		
	Discount rate	13%	12%
	Expected rate of increase in salary	12%	11%
	Average expected remaining working life of employees	7 years	6 years
	Experience adjustment arising on unfunded plan liabilities:		
		2012	2011
		2010	2009
		2008	
		Rupees	
		881,334	-
		(1,967,978)	-
			(1,081,042)

33.1 The latest actuarial valuation was carried out for the year ended 30 June 2012, using the projected unit credit method.

		Rupees
	<b>Estimated expense for 30 June 2013</b>	
	Current service cost	391,580
	Interest cost	354,699
		<u>746,279</u>
<b>34</b>	<b>TAXATION</b>	
		<b>NOTE</b>
	Current year	
	Current	34.1
	Deferred	
		-
		(12,644,934)
		<u>16,544,976</u>
		<u>(12,644,934)</u>
		<u>16,544,976</u>

34.1 No provision for current tax was made in these financial statements because of gross loss for the year and in view of available tax losses of Rupees 228.973 million (2011: Rupees 123.748 million). Consequently tax expense reconciliation is not being presented.

		2012	2011
<b>35</b>	<b>LOSS PER SHARE - BASIC AND DILUTED</b>		
	There is no dilutive effect on the basic loss per share which is based on:		
	Loss attributable to ordinary shares (Rupees)	<u>(70,854,091)</u>	<u>(63,550,232)</u>
	Weighted average number of ordinary shares (Numbers)	<u>3,052,429</u>	<u>3,052,429</u>
	Loss per share (Rupees)	<u>(23.21)</u>	<u>(20.82)</u>

	NOTE	2012 Rupees	2011 Rupees
<b>36 CASH GENERATED FROM OPERATIONS</b>			
<b>Loss before taxation</b>		(58,209,157)	(80,095,208)
<b>Adjustments for non-cash charges and other items:</b>			
Depreciation		20,956,137	23,208,811
Impairment of property, plant and equipment		18,554,742	-
Provision for gratuity		2,497,483	3,872,238
(Gain) / loss on sale of property, plant and equipment		(1,751,610)	7,194,436
Profit on investments		-	(160,958)
Finance cost		30,206,602	36,216,928
Gain on settlement of lease liabilities		(26,724,643)	-
Long outstanding creditors written back		(2,509,561)	(15,323)
Working capital changes	36.1	31,408,258	28,660,381
		<u>14,428,251</u>	<u>18,881,305</u>
<b>36.1 Working capital changes</b>			
Decrease / (increase) in current assets:			
Stores, spare parts and loose tools		1,235,498	274,734
Stock in trade		26,598,802	5,897,832
Trade debts		4,187,691	3,007,139
Advances		1,101,438	(1,494,243)
Prepayments		-	239,000
Other receivables		1,128,519	10,200
		<u>34,251,948</u>	<u>7,934,662</u>
(Decrease) / increase in trade and other payables		<u>(2,843,690)</u>	<u>20,725,719</u>
		<u>31,408,258</u>	<u>28,660,381</u>

### 37 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER AND DIRECTORS

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to the chief executive officer and directors of the Company are as follows:

	Chief Executive Officer		Directors	
	2012	2011	2012	2011
	-----Rupees-----			
<b>Managerial remuneration</b>	2,400,000	2,400,000	616,140	764,555
<b>Allowances</b>				
House rent	-	-	-	21,776
Utilities	-	-	64,740	66,588
Other allowances	-	-	-	4,335
	<u>2,400,000</u>	<u>2,400,000</u>	<u>680,880</u>	<u>857,254</u>
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>

37.1 The Company also provides to Chief Executive Officer and directors free use of the Company maintained cars, residence, residential telephone and medical facility. No remuneration was paid to non executive directors during the

37.2 The aggregate amount charged in the financial statements in respect of directors' meeting fee paid to 2 (2011:1) directors was Rupees 10,000 (2011: Rupees 25,000).

### 38 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings and key management personnel. The Company in the normal course of business carries out transaction with various related parties. Detail of transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2012 Rupees	2011 Rupees
<b>Associated companies</b>		
<b>Bilal Textiles (Private) Limited</b>		
Purchase of goods and services	-	15,413,000
Payment against outstanding balance	-	19,115,032
Disposal of plant and machinery	-	2,500,000
<b>Bilal Fibers Limited</b>		
Payment made against cotton purchased	-	6,596,154
Sale of property, plant and equipment	3,770,000	19,578,898
Purchase of raw material	-	6,657,600
Sales of raw material	2,115,060	19,764,920
<b>Famous Securities (SMC - Private) Limited</b>		
Loan obtained during the year	-	480,000
Payment against outstanding balance	9,285,591	289,409
<b>Close family members of C.E.O.</b>		
Loan obtained during the year	5,370,000	10,550,000
Payment against outstanding balance	2,500,000	9,050,000
<b>Mr. Habib Ullah - Chief Executive Officer</b>		
Loan obtained during the year	38,666,216	1,480,000
Payment against outstanding balance	7,355,012	2,752,104

### 39 PLANT CAPACITY AND ACTUAL PRODUCTION

	(Numbers)	
Spindles installed	24,192	24,192
(Kilograms)		
100% plant capacity converted into 20s count based on 3 shifts per day for 1,098 shifts (2011: 1,098 shifts)	11,860,086	11,860,086
Actual production converted into 20's count based on 3 shifts per day for 1,098 shifts (2011: 1,065 shifts)	-	7,270,295

The mill remained closed this year due to compulsory electricity and captive power gas load shedding .

### 40 FINANCIAL RISK MANAGEMENT

#### 40.1 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 minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. 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 not exposed to currency risk as it has no receivables and payables denominated in foreign currency.