

DIRECTORS' REPORT

On behalf of the board of directors, I take pleasure to present Annual Report along with the Audited Accounts of the company pertaining to the financial year ending on June 30, 2012

Financial highlights

The Company showed a Loss after tax of Rs.123.613 Million after charging costs, expenses and depreciation for the period.

The financial results are summarized hereunder:

	2012	2011
	Rupees	
Sales	1,533,227,575	1,847,895,714
Gross Profit / (loss)	(36,514,383)	130,105,927
Operating Profit/ (loss)	(54,759,882)	113,841,491
Financial Expenses	(67,960,748)	(70,047,621)
Taxation	(892,211)	(26,909,689)
Profit / (loss) after taxation	(123,612,840)	16,884,181
Earning per share	(27.67)	3.78

The year under review was very crucial because the prices of raw material especially cotton was very volatile and this thing participate major role in Loss because the prices of cotton at start of the year were about RS. 8500 per mound while it was more high in previous year and touched the high price of RS. 14000 per Mound. The management of your company have huge stocks at beginning of year and also purchased cotton on prevailing prices and bore huge loss due to stocks of cotton. The prices of cotton falls nose dip which badly effects the stocks of yarn which again badly damaged the earnings due to fall in yarn prices. The energy crisis and worst political situation also played pivot role in financial results of your company which showed gross loss of Rs.36.514 millions from gross profit of Rs.130.105 millions . The company is trying to overcome of these losses by improving production efficiencies and controlling of expenses. Whereas your company sales have decreased from Rs. 1,847.895 million to Rs.1,533.227 million showing decrease of 17.03 % this reduction in total turnover is due to sudden decrease in yarn prices.

During the period under review, the international yarn market recovered from the worldwide recessionary economic scenario to a greater degree than expected. International demand for textile-related products, especially yarn, grew considerably due to probable reduction of yarn production by our major competitor China. The prices of yarn decreased due to fall in cotton prices but these were not reciprocal as we were looking.

COST CONTROL

The management has instituted the cost control and efficiency approach. Cost control measures and efficiency has been a continuing pursuit of the management. However the costs have risen due to overall inflationary trend in almost all areas of overheads and shortage of energy like Gas and Electricity also increased cost of Production..

Earnings per ordinary shares amount to Rs. (27.67) in current year as compared to Rs. 3.78 in last year.

ADDITION TO FIXED ASSETS

During the year under review, the following major additions have been made in the Fixed Assets of the Company.

1. Foundation for Gas Generator.
2. Wheel TPS52 with BRG Chek and 11 spark plug for power house.
3. One oil cooler with S.S Guide plate
4. Six ceiling fan, 2CCT breaker and PVC Cable
5. One Photocopier
6. One computer and bicycle.
7. Two air conditions, UPS and stablizers.

AUDITORS REPORT

The auditors of your company qualify the report for the year ended 30th June 2012 on a point that the company has not mentioned proper amount in Current maturity. We would like to mention here justification of note (a) and (b) mentioned in auditor's report as under:-

- a) The amount mentioned in note 8.1.1 current maturity of long term financing amounting to Rs.35.331 million and overdue installment of long term financing amounting to Rs. 26.498 million has not classified under current liabilities because it belongs to a bank who has principally agreed for allowing one year grace period to the company for the payment of

principal and markup upto 30th September, 2013 that is why there is no need of current maturity for the next year.

- b) The amount mentioned in note 8.2 inland letter of credit amounting to Rs.52.847 million has not been classified under current liabilities because it belongs to a bank who has principally agreed for allowing two year grace period to the company for the payment of principal and markup upto 30th September, 2014 that is why there is no need to classify under current liabilities.

FUTURE OUTLOOK

The future outlook of your company is very positive because the management has changed the Technical team of the mill and brings more professional and dedicated personals which are diverting company to quality production and introducing yarn to quality cautious parties of Karachi which will helpful to upgrading the company reputation in quality end user. The management of your company is very optimistic about the brilliant future of the company.

Compliance with the Code of Corporate Governance

The Board of Directors has taken necessary steps to comply with the provisions of code of corporate governance as incorporated in the listing regulations of stock exchanges. Statement of the compliance with the code of corporate governance is annexed.

Statement on Corporate & Financial Reporting Framework

The Company complies with the Code in the following manner.

- a. The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and change in equity.
- b. Proper books of account of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed and explained.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. Keeping in view the increased requirement of working capital due to high rates of raw material and finances required for re-payment of loans, it is considered necessary to conserve cash

resources. The Directors, therefore, have decided not to recommend cash dividend. We have prepared and circulated a statement of ethics and business strategy among directors and employees.

- i. The company operates an un-funded gratuity scheme for its employees and provision has been made in the accounts accordingly.
- j. The board of directors has adopted a mission statement and a statement of overall corporate strategy.
- k. During the year under review four meetings of the Board of Directors were held and attendance positions is hereunder:

<u>Name of Director</u>	<u>Number of Meetings attended</u>
Mr. Nauman Almas	4
Mrs. Shamim Akthar	4
Mrs. Fareeha Pervaiz	3
Mrs. Shumaila Azeem	3
Mr. Waseem K. Haq	4
Mr. Shoaib A Khan	3
Mr. Muhammad Azhar Amin	4

Audit committee

The Board of Directors in compliance of the code of corporate governance has established Audit Committee. The names of its members are given in the Company profile.

The terms of reference of the Audit Committee is based on the scope as defined by the Securities and Exchange Commission of Pakistan (SECP) and the guidelines given by the Board of Directors from time to time to improve the system and procedures.

With in the framework of terms of reference determined by the Board of Directors, the Audit Committee, among other things, will appoint the external auditors and review of periodic accounts.

Auditors

The present auditors Messrs Mushtaq & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

Pattern of shareholding

The pattern of shareholding as required by Section 236 of the Companies Ordinance 1984 and under Code of Corporate Governance is enclosed.

Key operating and financial data

Key operating and financial data for the preceding six years is annexed.

Dividend

As the accounts shows considerable losses for the year therefore no dividend is recommended by the Board of Directors in their meeting for the year ended June 30, 2012.

Statutory payments

There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2012 except for those disclosed in the financial statements.

Corporate restructuring and business expansion

Company has currently no plans for corporate restructuring, business expansion and discontinuance of operations.

Acknowledgement

The Directors of the Company wish to thanks its bankers for their continued support and wish to place on record their appreciation towards the employees for their dedicated services and hard work without which all this would have not been possible.

For & on behalf of the Board

NAUMAN ALMAS
Chief Executive

Lahore,
Dated: October 03, 2012