NISHAT HOSPITALITY (PRIVATE) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

AUDITORS' REPORT TO THE MEMBERS

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

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

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

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion

    (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

    (ii) the expenditure incurred during the year was for the purpose of the company's business; and

    (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

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(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, 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 loss, 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).

Chartered Accountants

Lahore, August 24, 2012

Name of engagement partner: Muhammad Masood

NISHAT HOSPITALITY (PRIVATE) LIMITED
BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012 Rupees
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorised capital 50,000,000 ordinary shares of Rs 10 each		500,000,000
Issued, subscribed and paid up capital 19,995,000 ordinary shares of Rs 10 each	5	199,950,000
Accumulated loss		(3,899,659)
		196,050,341
NON - CURRENT LIABILITIES		
Deferred taxation	6	29,896
CURRENT LIABILITIES		
Trade and other payables	7	28,148,419
Provision for taxation		154,465
		28,302,884
CONTINGENCIES AND COMMITMENTS	8	-
		224,383,121

	Note	2012 Rupees
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	9	214,744,248
CURRENT ASSETS		
Trade debts	10	2,939,894
Advance income tax		242,889
Loans, advances, deposits, prepayments and other receivables	11	4,096,785
Cash and bank balances	12	2,359,305
		9,638,873
		224,383,121

The annexed notes 1 to 23 form an integral part of these financial statements.

Chief Executive

Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

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

		Note	2012 Rupees
Sales and services		13	14,550,114
Cost of sales and services		14	(12,071,834)
Gross Profit			**2,478,280**
Administrative expenses		15	(6,110,166)
Loss from operations			**(3,631,886)**
Finance cost		16	(83,412)
Loss before taxation			**(3,715,298)**
Income tax expense		17	(184,361)
Loss for the year			**(3,899,659)**
Other comprehensive income			-
Total comprehensive loss attributable to owners of the Company:			**(3,899,659)**
Basic loss per share - From operations	Rupees	18	(0.38)

The annexed notes 1 to 23 form an integral part of these financial statements.

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Chief Executive

Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees
Profit before tax for the year	**(3,715,298)**
Adjustment for non cash charges and other items:	
Depreciation on property, plant and equipment	21,075
Finance cost	83,412
Loss before working capital changes	(3,610,811)
Effect on cash flow due to working capital changes:	
Increase in trade debts	(2,939,894)
Increase in loans, advances, deposits, prepayments and other receivables	(4,096,785)
Increase in trade and other payables	28,148,419
Cash flows from operating activities	17,500,929
Finance cost paid	(83,412)
Taxes paid	(242,889)
Net cash generated from operating activities	17,174,628
Cash flows from investing activities	
Fixed capital expenditure	(214,765,323)
Net cash used in investing activities	(214,765,323)
Cash flows from financing activities	
Issuance of share capital	199,950,000
Net cash generated from investing activities	199,950,000
Net increase in cash and cash equivalents	2,359,305
Cash and cash equivalents at the end of the year	2,359,305

The annexed notes 1 to 23 form an integral part of these financial statements.

Chief Executive

Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

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

	Share capital	Accumulated loss	Total
Balance as on July 01, 2011	-	-	-
Issue of share capital	199,950,000		199,950,000
Total comprehensive loss for the year ended June 30, 2012			
Loss for the year		(3,899,659)	(3,899,659)
Other comprehensive income		-	-
Total comprehensive loss for the year	-	(3,899,659)	(3,899,659)
Total contributions by and distributions to owners of the Company	-	-	-
Balance as on June 30, 2012 (audited)	199,950,000	(3,899,659)	196,050,341

The annexed notes 1 to 23 form an integral part of these financial statements.

Chief Executive

Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. The Company and its operations

Nishat Hospitality (Private) Limited ('the Company') was incorporated in Pakistan, on July 01, 2011, as a private company limited by shares under the Companies Ordinance, 1984 on July 01, 2011. The Company is a wholly owned subsidiary of Nishat Mills Limited ('the holding company), which is the ultimate parent of the Company. The address of the registered office of the company is 1-B Aziz Avenue, Canal Bank, Gulberg V, Lahore. The principal activity of the Company is to carry on the business of hotel, cafes, restaurants and lodging or apartment houses, bakers and confectioners in Pakistan and outside Pakistan.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and comprise of International Accounting Standards, IFRIC Interpretation and SIC Interpretations as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in the current year and are relevant to the Company

- Annual improvements to IFRSs 2010 (effective 1 January 2011). This set of amendments includes changes to six standards and one IFRIC: IFRS 1, 'First time adoption'. IFRS 3, 'Business combinations'. IFRS 7, 'Financial instruments; Disclosures'. IAS 1, 'Presentation of financial statements'. IAS 27, 'Separate financial statements'. IAS 34, 'Interim financial reporting'. IFRIC 13, 'Customer loyalty programmes'. The improvements applicable to the Company are as follows

IFRS	**Subject of amendment**
IFRS 7, 'Financial instruments; Disclosures'.	Clarification for disclosures (Interaction between qualitative and quantitative disclosures)
IFRS	**Subject of amendment**
IAS 1, 'Presentation of financial statements'.	Presentation changes to statement of changes in equity

The Company has determined that there is no material impact of the above amendments on the financial statements.

- IFRS 7, 'Disclosures on transfers of financial assets' (Amendment), issued in October 2010. The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are as part the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The Company has determined that there is no significant transfer of financial assets that require disclosure under the guidance above.

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- IAS 24 (Revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. As this change only impacts presentation aspects, there is no impact on the profit for the year.

2.2.2 Amendments and interpretations to published standards not yet effective

There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after July 1, 2012 but were considered not to be relevant or did not have any significant effect on the Company's operations.

3. Basis of measurement

These financial statements have been prepared under the historical cost convention.

3.1 Critical accounting estimates and judgments

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

i) Provision for taxation - note 4.1
ii) Estimated useful lives of property, plant and equipment - note 4.2

4. Significant accounting policies

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

4.1 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

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4.2 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss.

Depreciation on property, plant and equipment used for the acquisition/construction of an asset is included in the cost of the asset while depreciation on other property, plant and equipment is charged to profit and loss account, on the reducing balance method so as to write off the cost of an asset over its estimated useful life at the annual rates mentioned in note 9 after taking into account their residual values.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its property, plant and equipment as at June 30, 2012 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is included in profit and loss account currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.3 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these assets are available for use.

4.4 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful receivable balances based on review of outstanding amounts at the year end. Bad debts are written off when identified.

4.5 Stores, spares and loose tools

The are valued at weighted average cost except for items in transit which are stated at invoice value plust other charges paid theron till the balance sheet date. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis.

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4.6 Financial assets and liabilities

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in the profit and loss account currently.

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

4.7 Offsetting of financial assets and financial liabilities

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

4.8 Trade and other payables

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

4.9 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.11 Revenue recognition

Revenue is generally recognized as services are performed. Hotel revenue primarily represents room rentals and other minor hotel revenues.

4.12 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

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

5. Issued, subscribed and paid up capital

2012 Number of shares		2012 Rupees
19,995,000	Ordinary shares of Rs 10 each fully paid in cash	199,950,000

19,994,997 shares of the Company are held by Nishat Mills Limited, the Holding company.

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	2012
	Rupees

6. Deferred taxation

The liability for deferred taxation comprises of;

	2012 Rupees
Accelerated tax depreciation	29,896

6.1 The Company has not recognized deferred tax assets of Rs 1,330,250 in respect of tax losses and Rs 154,465 in respect of minimum tax paid and available for carry forward u/s 113 of the Income Tax Ordinance, 2001, as sufficient tax profits would not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 aggregating to Rs 154,465 would not be available for carry forward against future tax liabilities subsequent to 2017. Tax losses amounting to Rs 3,694,223 will expire in year 2018.

7. Trade and other payables

		2012 Rupees
Trade creditors		
Due to related party	- note 7.1	2,775,647
Payable for goods and services		18,394,366
		21,170,013
Retention money payable		6,633,255
Accrued and other liabilities		143,021
Due to statutory authorities		15,956
Due to provincial authorities - bed tax		143,594
Advances from customers	- note 7.2	42,580
		28,148,419

7.1 This amount is payable to DG Khan Cement Company Limited, on account of purchase of cement.

7.2 This includes an amount of Rs 31,343 received from D.G Cement Company Limited, a related party.

8. Contingencies and commitments

8.1 Contingencies

There are no contingencies as on the reporting date.

8.2 Commitments

The Company has commitments in respect of contract for capital expenditure amounting to Rs 77.624 million.

9. Property, plant and equipment

		2012 Rupees
Operating assets - at net book value	- note 9.1	180,642
Capital work in progress	- note 9.2	214,563,606
		214,744,248

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9.1 Operating assets at net book value

(Rupees)

	2012							
	Cost as at July 01, 2011	Transfers / Additions	Cost as at June 30, 2012	Accumulated depreciation July 01, 2011	Depreciation charge for the period	Accumulated depreciation June 30, 2012	Net book value as at June 30, 2012	Annual rate of depreciation %
Furniture, fixture and fittings		49,250	49,250		1,753	1,753	47,497	10
Computers		152,467	152,467		19,322	19,322	133,145	30
	-	201,717	201,717	-	21,075	21,075	180,642	

9.1.1 The depreciation charge for the year has been allocated as follows;

	Note	2012 Rupees
Cost of sales	14	8,112
Administrative expenses	15	12,963
		21,075

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		2012
		Rupees

9.2 Capital work in progress

Advance against contract for services		11,643,545
Buildings	- note 9.2.1	202,459,844
Unallocated expenses	- note 9.2.2	460,217
		214,563,606

9.2.1 This includes Rs 12,919,498 being cost of cement purchased from DG Khan Cement Company Limited, a related party. Also included herein is sale of steel scrap amounting to Rs 896,400.

9.2.2 This represents the amount of salaries, wages and other benefits and also includes provident fund contribution of Rs 17,512 by the Company.

		2012
		Rupees

10. Trade debts

Considered good		
Related parties - unsecured	-note 10.1	450,362
Others - unsecured		2,489,532
		2,939,894

10.1 Related parties - unsecured

Associates	
Nishat Dairy (Private) Limited	204,393
Lalpir Power Limited	68,480
Nishat Mills Limited	171,225
DG Khan Cement Company Limited	6,264
	450,362

These are in the normal course of business and interest free.

11. Loans, advances, deposits, prepayments and other receivables

Advances - considered good	
To suppliers	4,000
To employees	83,457
	87,457
Balances with statutory authorities - sales tax recoverable	3,981,214
Prepayments	27,114
Other receivable	1,000
	4,096,785

12. Cash and bank balances

At banks - current accounts	- note 12.1	2,280,805
In hand		78,500
		2,359,305

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12.1 This includes an amount of Rs 2,212,461 deposited with MCB Bank Limited, an associated undertaking, which is in the normal course of business.

13. Sales and services		2012 Rupees
Room rent		13,731,066
Services	- note 13.1	819,048
		14,550,114

13.1 This represents the revenue from providing laundry, food services, sale of minibar items and other ancillary services.

14. Cost of sales and services	2012 Rupees
Salaries, wages and other benefits	2,100,763
Heat, light and power	453,918
Minibar cost	288,621
Replacement of linen, china and glassware	5,400
Uniforms	85,399
Guest transportation charges	41,565
Guest supplies	1,646,362
Newspapers and journals	48,166
Rent	5,600,000
Laundry and dry cleaning	325,298
Cleaning supplies	193,058
Vehicle running expenses	312,634
Communication charges	291,814
Traveling and transportation	18,600
Printing and stationary	119,724
Repair and maintenance	463,784
Miscellaneous	68,616
Depreciation	8,112
	12,071,834

14.1 Salaries, wages and other benefits include provident fund contribution of Rs 71,107 by the *Company*.

15. Administrative expenses	2012 Rupees
Salaries, wages and other benefits	133,194
Fees and subscription	3,798,200
Printing and stationery	59,225
Audit fee	200,000
Rent, rates and taxes	1,200,000
Entertainment	65,745
Traveling and conveyance	37,941
Advertisement	89,082
Legal and professional charges	480,000
Depreciation	12,963
Other expenses	33,816
	6,110,166

15.1 Salaries, wages and other benefits include provident fund contribution of Rs 4,737 by the Company.

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16. Finance cost

This represents the financial charges deducted by the credit card companies and miscellaneous charges deducted by banks.

17. Taxation

	2012
	Rupees
Current Tax	
- Current	154,465
- Deferred	29,896
	184,361

17.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	2012
	%
Applicable tax rate	35.00
Tax effect of amounts that are:	
Tax losses for which no deferred tax asset has been recognized	(39.96)
Average effective tax rate charged to profit and loss account	(4.96)

17.2 In view of the available income tax loss, the provision for current taxation represents tax under section 113 'Minimum tax on income of certain persons'. Tax under 'Minimum tax' is available for carry forward and adjustment for five tax years immediately succeeding the tax year for which the amount was paid.

For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2012 is estimated approximately at Rs 3,800,714

18. Earnings per share

Basic earnings per share

		2012
Profit for the period from continuing operations	Rupees	(3,899,659)
Weighted average number of ordinary shares in issue during the year	Number	10,141,192
Earnings per share - basic	Rupees	(0.38)

19. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for the year for remuneration to chief executive, directors and executives is Nil.

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20. Transactions with related parties

The related parties comprise associated undertakings, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transaction	2012 Rupees
i. Holding company	Subscription of issued capital	199,949,970
	Reimbursement of expenses to the company	38,196,906
	Purchase of goods and services	6,800,000
	Sale of services	403,277
ii. Associated companies	Purchase of goods and services	13,813,583
	Sale of services	695,887
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans - Provident Fund	93,356
iii. Key Management personnel	Salaries and other employee benefits	Nil

Period-end balances

Payable to related parties	2,775,647
Receivable from related parties	450,362

The commitments with related parties as on June 30, 2012 are Nil.

21. Capacity	No of rooms letable in 2012	Average occupancy
Nishat Suites	12	96%

22. Financial risk management objectives

22.1 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 financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board has provided 'Risk Management Policy' covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of this policy.

The Company's overall risk management procedures to minimize the potential adverse effects of financial market on the Company's performance are as follows:

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to three types of market risk: Currency risk, other price risk and interest rate 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's foreign exchange risk exposure is limited to the outstanding foreign currency commitments at any balance sheet date.

(ii) Other price risk

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

(iii) Interest rate risk

Interest rate risk 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 is not exposed to any interest rate risk at the balance sheet date.

(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. Credit risk arises primarily from advances, trade debtors, other receivables and deposits with banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2012 Rupees
Trade debts - unsecured	2,939,894
Advances, deposits, prepayments and other receivables	88,457
Bank balances	2,280,805
	5,309,156

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk.

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows;

	Rating		Rating	2012
	Short term	Long term	Agency	Rupees
MCB Bank Limited	A1+	AA+	PACRA	2,212,461
National Bank of Pakistan	A1+	AAA	JCR-VIS	68,344

(c) Liquidity risk

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

	Carrying amount	Less than one year	More than one year
		(Rupees)	
The following are the contractual maturities of financial liabilities			
Trade and other payables as at June 30, 2012	28,105,839	28,105,839	Nil

22.2 Fair values of financial assets and liabilities

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

22.3 Financial instruments by categories

	2012
Financial assets as per balance sheet	**Rupees**
Loan and receivables	
Trade debtors	2,939,894
Advances, deposits and other receivables	88,457
Cash and bank balances	2,359,305
	5,387,656
Financial liabilities as per balance sheet	
Trade and other payables	28,105,839

22.4 Capital risk management

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. As the Company is a wholly equity financed corporation, with working capital lines, capital comprises all components of equity (shares capital and accumulating loss) as mentioned on the face of balance sheet, and is raised as required, through the approval of the Board of Directors.

23. Date of authorisation for issue

These financial statements were authorised for issue on AUGUST 24, 2012 by the Board of Directors of the Company.

Chief Executive **Director**