ASIM TEXTILE MILLS LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your directors feel pleasure in presenting the 22nd annual report with audited accounts of the company for the year ended June 30, 2011.

OPERATING RESULTS:

	(Rupees in thousand) Year ended June 30, 2011	Year ended June 30, 2010
Profit before taxation	45,078	27,161
Taxation	6,049	332
Profit after taxation	39,029	26,829
Earning per share – basic(Rupee)	2.57	1.77

REVIEW OF OPERATING RESULTS:

During the year under review company has made a gross profit of Rs. 59.429 million as compare to gross profit of Rs. 39.512 million in the previous year and earned a net profit after taxation of Rs. 39.029 million as compare with Rs. 26.829 million for the pervious year. The reason of increase in profit is due to increase in prices of yarn.

COURT CASES:

There is no material change in position of on going litigation and other matters related to court as reported in the Directors' report to the share holders for the year ended June 30, 2010, except matter disclosed in note 12.3 (June 30, 2010) to the financial statements which has been decided in company's favour.

AUDITOR'S REPORT:

Auditors have qualified the report that mark up aggregating to Rs. 29.776 million on financial institution's lending as referred in note 16, 19 & 27.1 of the financial statements has not been accrued in the financial statements. Due to which current liabilities and accumulated loss are understated and profit for the year is overstated by that amount.

Further, auditors have drawn attention to note 1.2 along with the matter stated in notes 16.4, 20.1, and 21 to the financial statements.

The fact is that accumulated loss/capital deficiency is due to financial charges, which were booked up till 30.06.2006 after that financial charges have not been booked because company's suit against bank. In directors' as well as company's lawyer's opinion, case is based on strong legal grounds and is likely to be decided in company's favour. So management is confident that accumulated loss of company will.be recovered and capital will be restored. Accordingly these financial statements have been prepared on going concern basis.

OUTSTANDING STATUTORY PAYMENT:

There is no outstanding statutory payment due on account of taxes, duties, levies and charges except of normal and routine nature.

FUTURE PROSPECTS:

Pressure persist on cotton prices due to estimates of bumper crop and lower demand of yarn in local and international market results in dwindling margin of spinners. This factor alongwith shortage of sui gas / electricity will add to hardship of industry. The management of your company will strive their best to minimize negative impacts.

COMPLIANCE SYSTEM:

The company has established, implemented and maintained systems in compliance with the requirements of international standards and achieved third party certification for the following product/management systems standards:

ISO 9001:2008	Quality Management Systems

AUDITORS:

The present auditors M/s. Hyder Bhimji & Co., Chartered Accountants retire and being eligible offer themselves for reappointment for the next year. The audit committee has also recommended their name for reappointment.

PATTERN OF SHAREHOLDING:

Pattern of shareholding as on June 30, 2011 is annexed.

NUMBER OF BOARD MEETINGS HELD:

Four board meetings were held during the year ended on 30.06.2011. Attendance by each director is given below:-

Name of Director	No of Meetings Attended
Mr. Zahid Anwar (CEO)	4
Mrs. Rukhsana Begum	4
Mr. Ghulam Murtaza Buttar	4
Mr. Umer Farooq	4

Mr. Aftab Younus	4	
Mr. Ali Raza	4	
Mr. Waseem Abbas	4	

AUDIT COMMITTEE:

The Board in compliance with the Code of Corporate Governance has established an audit committee comprising of the following members:

Mr. Zahid Anwar	-	Chairman
Mr. Aftab Younus	-	Member
Mr. Waseem Abbas	-	Member

CORPORATE AND FINANCIAL REPORTING FRAME WORK:

In compliance to listing regulations of Stock Exchanges and as required under the Companies Ordinance, 1984, your directors are pleased to report as under:

1. The financial statements prepared by the management of your company present fairly and accurately the state of its affairs, the result of its operations, cash flows and changes in equity.

2. Proper books of accounts of the company have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.

5. The system of internal control is sound in design and has been effectively implemented and being monitored continuously. On going review will continue in future for further improvement in controls.

6. Going concern assumption has already been explained in preceding paragraphs.

7. There has been no material departure from the best practices of corporate governance.

8. Transaction undertaken with related parties during the financial year have been ratified by the Audit Committee and approved by the Board.

9. The value of investment made in respect of Employees Provident Fund was Rs.7,388,588/-(as per audited accounts 2010)

10. Key operating and financial data of last six years in summarized form is annexed.

11. Statement of compliance with the Best Practice of Corporate Governance is annexed.

DIRECTORS' REMUNERATION:

As in previous years, the directors did not draw any remuneration during the current year due to financial position of the company.

DIVIDEND:

Due to losses incurred by the company, directors do not recommend payment of dividend.

ACKNOWLEDGEMENT:

The management would like to place on record its deep appreciation for the continuous support of its shareholders, customers and employees and expect to get the same cooperation in the future.

Dated: October 08, 2011
Faisalabad.

On behalf of the Board

Zahid Anwar
Chief Executive

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

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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 **Asim Textile Mills Limited** (the Company) to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement 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, 2011.

Hyder Bhimji & Company
Chartered Accountants

HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Khan Muhammad

DATE: OCTOBER 8, 2011
FAISALABAD

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ASIM TEXTILE MILLS LIMITED** as at June 30, 2011 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. The Financial Statements for the year ended June 30, 2010 were audited by another firm of Chartered Accountants whose report dated: October 07, 2010 was qualified.

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 over all 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 the absence of direct confirmations from the third parties, we could not verify the following balances as on June 30,2011 and any movement their in during the year due to which current portion of such long term loan can not be ascertained:

	Notes to the accounts	**Amounts (Rupees in Million)**
I. Long term financing	16	415.047
II. Short term borrowing	20	2.544
III. Interest accrued on long term financing	19	194.161

b) Mark up aggregating to Rs.29.776 Million on financial institutions' lending as referred in Note 16,19 & 27.1 of the financial statements has not been accrued in the financial statements. Due to which current liabilities and accumulated loss are understated by that amount, however profit for the year does not effect as the same is related to prior years.

c) In our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

d) 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 accounts and are further in accordance with the accounting policies consistently applied;

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

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

(e) 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 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 except for the remark of foregoing paragraph (a) to (b) and to the extent to which this may affect the financial statements, respectively give a true and fair view of the state of the Company's affairs as at **June 30, 2011** and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

(f) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without further qualifying our opinion, we draw attention to Note 1.2 to the financial statements, which indicate the Company has accumulated loss of Rs. 466.533 million as at June 30, 2011. Its total liabilities exceed its assets by Rs.78.772 million as at balance sheet date. These conditions along with the matter stated in Notes 16.4, 20.1 and 21 to the financial statements indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as going concern. The management of the Company, however believes that it has sufficient assets and resources to meet its current liabilities including the result in profitability during the current year. Management expectation including future trends and profitability in regard to this matter are also discussed in the said note to the financial statements. In view of the above, these financial statements have been prepared on the going concern basis.

HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Khan Muhammad

DATE: OCTOBER 8, 2011
FAISALABAD

ASIM TEXTILE MILLS LIMITED

BALANCE SHEET
AS AT JUNE 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	379,114	378,870
Long term deposits	6	7,470	7,461
		386,584	386,331
CURRENT ASSETS			
Stores and spares	7	4,181	3,777
Stock in trade	8	52,096	37,412
Trade debts	9	7,865	2,636
Prepayment	10	135	-
Advances	11	10,218	18,157
Other receivables	12	4,786	5,902
Short term investments	13	30,009	-
Cash and bank balances	14	56,112	54,557
		165,402	122,441
TOTAL ASSETS		551,986	508,772
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
17,500,000 (2010: 17,500,000) ordinary shares of Rs.10 each		175,000	175,000
Issued, subscribed and paid up capital			
15,177,000 (2010: 15,177,000) ordinary shares of Rs. 10 each, fully paid up in cash		151,770	151,770
Accumulated loss		(466,533)	(512,371)
		(314,763)	(360,601)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	15	135,102	141,911
NON CURRENT LIABILITIES			
Long term financing	16	415,047	415,047
Deferred liabilities	17	72,426	76,396
		487,473	491,443
CURRENT LIABILITIES			
Trade and other payables	18	47,469	39,314
Interest accrued on long term financing	19	194,161	194,161
Short term borrowing	20	2,544	2,544
		244,174	236,019
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		551,986	508,772

The annexed notes 1 to 36 form an integral part of these financial statements.

Hyder Bhimji & Company Chartered Accountants

CHIEF EXECUTIVE

DIRECTOR

ASIM TEXTILE MILLS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
Sales - net	22	1,094,821	832,800
Cost of sales	23	1,035,392	793,288
Gross profit		59,429	39,512
Operating expenses			
Distribution costs	24	481	297
Administrative expenses	25	12,594	10,908
Other expenses	26	3,354	2,013
Finance costs	27	361	311
		16,790	13,529
		42,639	25,983
Other operating income	28	2,439	1,178
Profit before taxation		45,078	27,161
Taxation	29	6,049	332
Profit for the year		39,029	26,829
Earnings per share - Basic	30	2.57	1.77

The annexed notes 1 to 36 form an integral part of these financial statements.

Hyder Bhimji & Company
Chartered Accountants

CHIEF EXECUTIVE

DIRECTOR

ASIM TEXTILE MILLS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	(Rupees in thousand)	
Profit for the year	39,029	26,829
Other comprehensive income for the year	-	-
Total comprehensive income for the year	39,029	26,829

The annexed notes 1 to 36 form an integral part of these financial statements.

Hyder Bhimji & Company
Chartered Accountants

CHIEF EXECUTIVE

DIRECTOR

ASIM TEXTILE MILLS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
a) CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		45,078	27,161
Adjustments for non cash and other items:			
Depreciation		19,973	19,671
Profit on deposits		(1,547)	(1,617)
Profit on short term investments		(386)	
Workers' welfare fund		932	554
Workers' profit participation fund		2,422	1,459
Finance costs		361	311
Operating cash flows before working capital changes		66,833	47,539
Changes in working capital			
(Increase)/decrease in current assets			
Stores and spares		(404)	(183)
Stock in trade		(14,684)	(17,845)
Trade debts		(5,229)	(2,636)
Advances		7,939	(10,100)
Prepayment		(135)	-
Other receivables		913	(1,796)
Short term investments		(30,009)	-
Increase/(decrease) in current liabilities			
Trade and other payables		5,697	4,499
		(35,912)	(28,061)
Cash generated from operations		30,921	19,478
Finance costs paid		(120)	(311)
Taxes paid		(10,543)	(4,117)
Staff retirement gratuity paid		(304)	(418)
Net cash generated from operating activities		19,954	14,632
b) CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(20,217)	(8,403)
Profit on deposits		1,441	1,617
Profit on short term investments		386	-
Long term deposits		(9)	-
Net cash used in investing activities		(18,399)	(6,786)
Net increase in cash and cash equivalents (a+b)		1,555	7,846
Cash and cash equivalents at the beginning of the year		54,557	46,711
Cash and cash equivalents at the end of the year	14	56,112	54,557

The annexed notes 1 to 36 form an integral part of these financial statements.

Hyder Bhimji & Company Chartered Accountants

CHIEF EXECUTIVE

DIRECTOR

ASIM TEXTILE MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Share capital	Accumulated loss	Total
	(Rupees in thousand)		
Balance as at July 01, 2009	151,770	(546,367)	(394,597)
Incremental depreciation on revalued property, plant and equipment for the year	-	11,026	11,026
Tax effect on incremental depreciation	-	(3,859)	(3,859)
Total comprehensive income for the year	-	26,829	26,829
Balance as at June 30, 2010	**151,770**	**(512,371)**	**(360,601)**
Incremental depreciation on revalued property, plant and equipment for the year	-	**10,475**	**10,475**
Tax effect on incremental depreciation	-	**(3,666)**	**(3,666)**
Total comprehensive income for the year	-	**39,029**	**39,029**
Balance as at June 30, 2011	**151,770**	**(466,533)**	**(314,763)**

The annexed notes 1 to 36 form an integral part of these financial statements.

Hyder Bhimji & Company
Chartered Accountants

CHIEF EXECUTIVE

DIRECTOR

1. THE COMPANY AND ITS OPERATIONS

1.1 The Company is limited by shares and incorporated in Pakistan under the Companies Ordinance, 1984. Its shares are listed at Karachi, Islamabad and Lahore stock exchanges. The principal business of the Company is manufacturing and sale of yarn. The Mill is located at Tehsil Jaranwala, District Faisalabad in the Province of Punjab and the registered office of the Company is located at JK House, 32-W, Susan Road, Madina Town, Faisalabad.

1.2 Going concern assumption

The Company has accumulated loss of Rs. 466.533 million (2010: Rs. 512.371 million) as against issued, subscribed and paid up capital of Rs. 151.770 million and its current liabilities exceeded its current assets by Rs. 78.772 million (2010 Rs. 113.578 million). These factors in addition to factors described in notes 16.4, 20.1 and 21 of the financial statements raise doubts about the company being a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, any adjustment relating to the recoverability of recorded assets and liabilities have not been incorporated in these financial statements as the management is also making efforts for improvement in the production, quality and marketing of its products. The management believes that it has sufficient assets and resources to meet its current liabilities including results in profitability during the current year and will continue in the future. Therefore, the management believes that the going concern assumption is valid and these financial statements have been prepared on going concern basis without considering any adjustment relating to the recoverability of recorded assets and settlement of liabilities.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved 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 or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

New and amended standards and interpretations

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

IFRS-2	Share based Payment-Group Cash settled Share based Payment Arrangements
IAS-32	Financial Instruments: Presentation -Classification of Rights Issue (Amendment)
IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

IFRS-5	Non-Current Assets Held for Sales and Discontinued Operations
IFRS-8	Operating Segments
IAS-1	Presentation of Financial Statements
IAS-7	Statement of Cash Flows
IAS-17	Leases
IAS-36	Impairments of Assets
IAS-39	Financial Instruments: Recognition and Measurement

Issued in May 2010

IFRS-3	Business Combinations
IAS-27	Consolidated and Separate Financial Statements

Hyder Bhimji & Company Chartered Accountants

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

The Company has not early adopted any standard, interpretation or amendments that has been issued but is not yet effective.

2.3 Standards, interpretations and amendments to approved accounting standards that are issued but 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 against the respective standard or interpretation:

Standard or Interpretation		Effective date (periods beginning on or after)
IAS-1	Presentation of Financial Statements-Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS-7	Financial Instruments: Disclosures-Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
IAS-12	Income Tax (Amendment)-Deferred Taxes: Recovery of underlying assets	January 01, 2012
IAS - 19	Employee Benefits-Amended Standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS - 24	Related Party Disclosures (Definition of Related Parties)	January 01, 2011
IAS-27	Consolidated and Separate Financial Statement	January 01, 2013
IAS-28	Investment in Associates: Investment in Associates and Joint Venture	January 01, 2013
IFRIC-14	IAS-19 :Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The Company expects that the adoption of the above standards and interpretations will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 1, 2011. These include changes in terminology and accounting requirements. The Company expects that such improvements to the standards will not have any material impact on the company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

		IASB Effective date (periods beginning on or after)
IFRS-9	Financial Instruments	January 01, 2015
IFRS-10	Consolidated Financial Statements	January 01, 2013
IFRS-11	Joint Arrangements	January 01, 2013
IFRS-12	Disclosure of Interest in Other Entities	January 01, 2013
IFRS-13	Fair Value Measurement	January 01, 2013

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for staff retirement benefits stated on termination basis and property, plant and equipment carried at revalued amount. The Company's significant accounting policies are stated in note 4. In these financial statements, except for cash flow statement, all the transactions have been accounted for on accrual basis.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions effect only that period, or in the period of revision and future periods if revisions effect both current and future periods.

Significant areas requiring the use of the management estimates in these financial statements relate to the useful life of the depreciable assets, provision for doubtful debts on account receivables and staff retirement benefits. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Staff retirement benefits

The Company changed its policy for staff retirement benefits as on 31st March, 2008 from staff retirement gratuity to provident fund and staff retirement gratuity up to that date is stated on termination basis.

At present the Company operates an approved Provident Fund Scheme covering all its permanent employees. Equal monthly contributions are made, both by the Company, and the employees, to the fund at the rate of 8.33% of the basic salary. The Company's contribution to the fund is charged to profit and loss account.

4.2 Taxation

Current Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax rebates and tax credits, if any, available under the law.

Deferred Taxation

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

4.3 Property, plant and equipment

Operating assets

Operating fixed assets except land and capital work in progress are stated at cost / revalued amount less accumulated depreciation and impairment, if any. Cost in relation to fixed assets signifies historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Free hold land is stated at revalued amount and capital work in progress is stated at historical cost.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with them will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of the property, plant and equipment is capitalized and the asset so replaced is retired from use. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Depreciation is charged to income applying the reducing balance method so as to write off the historical cost of the assets over their expected useful life at the rates mentioned in property, plant and equipment.

Depreciation on additions during the year is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off. The residual values and useful lives are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant.

Gains and losses on disposal of property, plant and equipment are included in current income.

Capital work in progress is shown at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

Hyder Bhimji & Company
Chartered Accountants

4.4 Surplus on revaluation of property, plant and equipment

Surplus on revaluation of property, plant and equipment is credited to the surplus on revaluation account. To the extent of the incremental depreciation charge on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to accumulated loss through statement of changes in equity.

4.5 Trade and other payables

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

4.6 Provisions

A provision is recognized when the Company has a present, legal or constructive obligation as a result of a past event when 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 of obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.7 Stores and spares

Stores and spares are stated at lower of weighted average cost and net realizable value less impairment, if any.

4.8 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw material - At factory	Weighted average cost
- In Transit	Invoice value plus direct charges in respect thereof.
Work in process and finished goods	Prime cost including a proportion of production overheads.

Wastes are valued at net realizable value.

4.9 Trade and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future. Balances considered bad are written off when identified.

4.10 Foreign currency translation

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

4.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sales of goods are recognized when goods are delivered and title has passed.

Interest income is recognized on a time-apportioned basis using the effective rate of return.

Dividend income is recognized when the right to receive payment is established.

4.12 Related party transactions and transfer pricing

All transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable uncontrolled price method.

4.13 Cash and cash equivalents

Cash and cash equivalents comprise of cash and cheques in hand and at banks and include short term highly liquid investments. The cash and cash equivalents are readily convertible to known amount of cash and are subject to insignificant risk of change in value.

4.14 Borrowing costs

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets. All other borrowing costs are charged to current year income.

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4.15 Dividend and other appropriations

Dividend is recognized as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

4.16 Financial Instruments

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

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

a) Trade and other Receivables

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

b) Borrowings

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

c) Trade and other payables

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

4.17 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidences that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for receivables and other financial assets at specific asset levels. Losses are recognized as an expense in the profit and loss account. When a subsequent event causes the amount of impairment loss to decrease, this reduction is reversed through the profit and loss account.

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated An impairment loss is recognized as an expense in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.18 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 and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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	Note	2011	2010
		(Rupees in thousand)	

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
Operating fixed assets	5.1	379,114	378,870

5.1 OPERATING FIXED ASSETS

2011

DESCRIPTION	COST / REVALUATION			DEPRECIATION				W.D.V	Rate
	As at July 1, 2010	Addition/ (deletion)	As at June 30, 2011	As at July 1, 2010	For the year	Adjustment	As at June 30, 2011	As at June 30, 2011	%
	Rupees in thousand								
Freehold land	9,802	-	9,802	-	-	-	-	9,802	
Building on freehold land	52,264	-	52,264	20,560	1,585		22,145	30,119	5
Plant and machinery	514,283	500	514,783	199,135	15,763	-	214,898	299,885	5
Power generators	13,588	15,831	29,419	340	1,124	-	1,464	27,955	5
Furniture, fixtures & office equipments	2,006	1,022	3,028	1,219	135	-	1,354	1,674	10
Vehicles	4,977	2,864	7,841	2,354	811	-	3,165	4,676	20
Factory equipments	356	-	356	302	5	-	307	49	10
Electric installations	13,423	-	13,423	7,919	550	-	8,469	4,954	10
Total 2011	610,699	20,217	630,916	231,829	19,973	-	251,802	379,114	

2010

DESCRIPTION	COST / REVALUATION			DEPRECIATION				W.D.V	Rate
	As at July 1, 2009	Addition/ (deletion)	As at June 30, 2010	As at July 1, 2009	For the year	Adjustment	As at June 30, 2010	As at June 30, 2010	%
	Rupees in thousand								
Freehold land	9,802	-	9,802	-	-	-	-	9,802	-
Building on freehold land	52,264	-	52,264	18,891	1,669	-	20,560	31,704	5
Plant and machinery	514,283	-	514,283	182,548	16,587	-	199,135	315,148	5
Power generators	-	13,588	13,588	-	340	-	340	13,248	5
Furniture, fixtures & office equipments	1,901	105	2,006	1,142	77	-	1,219	787	10
Vehicles	3,093	1,884	4,977	1,973	381	-	2,354	2,623	20
Factory equipments	356	-	356	296	6	-	302	54	10
Electric installations	13,298	125	13,423	7,308	611	-	7,919	5,504	10
Total 2010	594,997	15,702	610,699	212,158	19,671	-	231,829	378,870	

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	2011	2010
	(Rupees in thousand)	

5.2 **Depreciation has been allocated as under;**

Cost of sales	19,027	19,213
Administrative expenses	946	458
	19,973	19,671

5.3 Had there been no revaluation, the related figures of freehold land, building on freehold land and plant and machinery as at June 30, would have been as follows:

	2011		
	Cost	Accumulated depreciation	Written down value
	[Rupees in thousand]		
Freehold land	4,062	-	4,062
Building on freehold land	40,631	30,287	10,344
Plant and machinery	366,547	245,990	120,557
	411,240	276,277	134,963

	2010		
	Cost	Accumulated depreciation	Written down value
	[Rupees in thousand]		
Freehold land	4,062	-	4,062
Building on freehold land	40,631	29,743	10,888
Plant and machinery	366,047	239,665	126,382
	410,740	269,408	141,332

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	Note	2011	2010
		(Rupees in thousand)	
6. LONG TERM DEPOSITS			
Security deposits			
Sui Gas		5,176	5,176
WAPDA		2,285	2,285
WASA		9	-
		7,470	7,461
7. STORES AND SPARES			
Stores		2,428	1,186
Spares		1,753	2,591
		4,181	3,777
8. STOCK IN TRADE			
Raw material			
- Cotton		29,452	7,299
- Polyester		7,135	3,873
		36,587	11,172
Work in process		11,376	4,923
Finished goods		4,133	21,317
		52,096	37,412
9. TRADE DEBTS			
Considered good			
Foreign - secured		7,865	-
Local - unsecured		-	2,636
		7,865	2,636
10. PREPAYMENT			
Prepayment			
Prepaid insurance		135	-
11. ADVANCES			
Advances - unsecured			
Considered good			
Employees		875	939
Suppliers		9,343	17,218
		10,218	18,157
12. OTHER RECEIVABLES			
Balance with statutory authority			
Income tax		173	482
Sales tax		4,444	5,357
		4,617	5,839
Accrued interest		106	-
Others		63	63
		4,786	5,902

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	Note	2011	2010
		(Rupees in thousand)	

13. SHORT TERM INVESTMENTS

Available-for-sale			
NAFA Government Securities Liquid Fund		30,009	-

These have been valued by using published net asset value (NAV). As at 30 June 2011, the number of units held by the Company is 2,896,829.6659 units (2010: Nil)

14. CASH AND BANK BALANCES

	Note	2011	2010
		(Rupees in thousand)	
Cash in hand		137	195
Cash at bank			
In current accounts -	14.1	271	297
In deposit accounts - including	14.2	55,704	54,065
		55,975	54,362
		56,112	54,557

14.1 It includes US$ 1,000 (2010: US$:1,000) and SAR 2,461 (2010: SAR:2,461)

14.2 Deposit with commercial banks yield profit at the rate of 5% to 11% (2010: 5% to 11%) per annum.

15. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Balance as on July 01,	141,911	149,078
Incremental depreciation on revalued property, plant and equipment for the year	(10,475)	(11,026)
Related effect of deferred tax liability	3,666	3,859
	(6,809)	(7,167)
Balance as on June 30,	135,102	141,911

First revaluation of building on freehold land and plant and machinery was carried out as on September 30, 1995 by an independent valuer M/s Iqbal A. Nanjee & Co., Lahore on the basis of depreciated replacement values.

Second revaluation of free hold land, building on freehold land and plant and machinery has been carried out on September 30, 2000 by an independent valuer Inspectorates Corporation International (Pvt) Ltd., Lahore and the same has been verified by SBP's approved auditors on the basis of depreciated replacement values.

16. LONG TERM FINANCING

	Note	2011	2010
		(Rupees in thousand)	
Loan from banking companies - secured			
Morabaha finance			
Morabaha - I	16.1	340,902	340,902
Morabaha - II	16.2	74,145	74,145
		415,047	415,047

16.1 It represents morabaha finance created by Faysal Bank Limited by converting various morabaha finances into long term morabaha-I at an interest rate of 13% per annum.

16.2 It represents an interest free morabaha finance by Faysal Bank Limited by converting various unpaid mark ups into long term non-profit morabaha-II.

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16.3 The above mentioned morabaha finances are secured against the first charge of Rs. 505 million on fixed assets and personal guarantees of directors and Chief Executive of the Company.

16.4 The Company is not repaying the morabaha finances as it has filed a case against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The facts of the litigation are explained in note 21. Accordingly, the current portion of these morabaha finances has not been transferred to current liabilities as the amount of liability and related current portion is dependent on the decision of the case.

	Note	2011	2010
		(Rupees in thousand)	

7. DEFERRED LIABILITIES

Deferred taxation	17.1	69,657	73,323
Staff retirement gratuity	17.2	2,769	3,073
		72,426	76,396

17.1 DEFERRED TAXATION

Balance as on July 01,	73,323	77,182
Adjusted during the year	(3,666)	(3,859)
Balance as on June 30,	69,657	73,323

Provision for deferred taxation is based on temporary differences arising on surplus on revaluation of property, plant and equipment. The Company being prudent has not accounted for net deferred tax asset on net deductible temporary differences amounting to Rs.10.706 million (2010: Rs.42.347 million) comprising accelerated tax depreciation, recognized losses and staff retirement benefits, due to the uncertainty with regard to availability of future taxable profits of the Company against which the unused tax losses and tax credits can be utilized.

	Note	2011	2010
		(Rupees in thousand)	

17.2 STAFF RETIREMENT GRATUITY

Balance as on July 01,	3,073	3,491
Paid during the year	(304)	(418)
Balance as on June 30,	2,769	3,073

8. TRADE AND OTHER PAYABLES

Trade creditors		27,237	22,725
Accrued expenses		7,482	6,932
Due to directors	18.1	1,160	2,432
Withholding tax payable		219	245
Provident fund		365	328
Workers' profit participation fund	18.2	4,122	1,459
Workers welfare fund		348	554
Others		6,536	4,639
		47,469	39,314

18.1 This represents interest free funds obtained from directors to meet working capital requirements. The funds provided are interest free and unsecured and shall be repaid subject to the availability of funds with the Company.

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	Note	2011	2010
		(Rupees in thousand)	
18.2 Workers' profit participation fund			
Balance as on July 01,		1,459	-
Interest on funds utilised in the Company's business		241	-
		1,700	-
Allocation for the year		2,422	1,459
		4,122	1,459

19. INTEREST ACCRUED ON LONG TERM FINANCING

	Note	2011	2010
Accrued markup on secured morabaha finance	19.1	194,161	194,161

19.1 The Company has ceased the payment of markup as it has filed a case against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The facts of the litigation are explained in note 21.

20. SHORT TERM BORROWING

	Note	2011	2010
		(Rupees in thousand)	
Banking company			
Interest free bank overdraft - unsecured	20.1	2,544	2,544

20.1 The Company has ceased repaying the overdraft as it has filed a case against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The facts of the litigation are explained in note 21.

21. CONTINGENCIES AND COMMITMENTS

Contingencies

21.1 The Company has instituted a suit in the Honourable Lahore High Court, Lahore against Faysal Bank Limited claiming damages on account of acquisition of un-remunerative agricultural land on the advice of FIBL for not providing timely cash finance facilities despite written commitments and for charging illegal profits against the principles of Islamic Banking and in contravention of the objective clause of its Memorandum of Association, Articles of Association and against circulars issued by the State Bank of Pakistan. The amount claimed for the first two counts is Rs.141.831 million (including claims of Central Excise Duty) and for the last count has been left for the Court to determine. As per opinion of Company's legal advisor the case is based on strong legal grounds and is likely to be decided in Company's favour. If so decided the amount of morabaha finances would decrease by the amount decided by the Court.

21.2 The Faysal Bank Limited has filed a counter suit for the recovery of Rs. 454.502 million in the Honourable Lahore High Court along with the late payment charges which is pending adjudication.

22. SALES - NET

	Note	2011	2010
		(Rupees in thousand)	
Yarn			
Export sales	22.1	13,282	4,724
Local sales		1,067,031	819,810
Waste			
Local sales		15,337	8,992
		1,095,650	833,526
Less: Commission		(829)	(726)
		1,094,821	832,800

22.1 It includes exchange gain Rs. 152,459/- (2010 Rs.72,728/-)

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23. COST OF SALES

	Note	2011	2010
		(Rupees in thousand)	
Raw material consumed - Cotton	23.1	496,367	304,983
Raw material consumed - Polyester	23.2	347,151	299,987
Stores and spares consumed		14,908	14,624
Packing material consumed		12,984	12,094
Doubling charges		1,145	-
Salaries, wages and benefits		50,966	52,975
Provident fund		1,724	1,695
Fuel and power		76,453	93,366
Repairs and maintenance		1,276	732
Insurance		2,082	2,058
Depreciation	5.2	19,027	19,213
General expenses		578	605
		1,024,661	802,332
Work in process			
Balance as on July 01,		4,923	4,661
Balance as on June 30,		(11,376)	(4,923)
		(6,453)	(262)
Cost of goods manufactured		1,018,208	802,070
Finished goods			
Balance as on July 01,		21,317	12,535
Balance as on June 30,		(4,133)	(21,317)
		17,184	(8,782)
		1,035,392	793,288

23.1 RAW MATERIAL CONSUMED - COTTON

	2011	2010
Balance as on July 01,	7,299	1,523
Purchases	518,520	310,759
	525,819	312,282
Balance as on June 30,	(29,452)	(7,299)
	496,367	304,983

23.2 RAW MATERIAL CONSUMED - POLYESTER

	2011	2010
Balance as on July 01,	3,873	848
Purchases	350,413	303,012
	354,286	303,860
Balance as on June 30,	(7,135)	(3,873)
	347,151	299,987

24. DISTRIBUTION COSTS

	2011	2010
Ocean freight	358	242
Local freight and octroi	66	30
Clearing and forwarding	22	10
General export expenses	35	15
	481	297

25. ADMINISTRATIVE EXPENSES

	Note	2011	2010
		(Rupees in thousand)	
Staff salaries and benefits		5,281	4,474
Provident fund		269	228
Postage and telecommunication		420	371
Electricity and water		300	207
Printing and stationary		104	86
Travelling and conveyance		1,004	518
Entertainment		98	41
Fees and subscription		1,297	509
Legal and professional		776	2,013
Rent, rate and taxes		75	75
Vehicle, running and maintenance		1,387	1,302
Auditors' remuneration	25.1	302	300
Insurance		168	111
Advertisement		12	11
Depreciation	5.2	946	458
Others		155	204
		12,594	10,908

25.1 AUDITORS' REMUNERATION

	2011	2010
Statutory audit	250	250
Half yearly review	50	50
Out of pocket expenses	2	-
	302	300

26. OTHER EXPENSES

	2011	2010
Workers' welfare fund	932	554
Workers' profit participation fund	2,422	1,459
	3,354	2,013

27. FINANCE COSTS

	Note	2011	2010
Interest on workers' profit participation fund		241	-
Interest/mark up on long term financing	27.1	-	-
Bank charges and commission		120	311
		361	311

27.1 Markup on morabaha finance amounting to Rs. Nil (2010: Rs. Nil) accumulated to Rs.29.776 million (2010: Rs.29.776 million) has not been accounted for in these financial statements.

28. OTHER OPERATING INCOME

	Note	2011	2010
		(Rupees in thousand)	
Income from financial assets			
Profit on deposits		1,547	1,617
Profit on short term investment		386	-
Increase in fair value of financial assets - investments		499	-
Exchange gain/(loss) on foreign currency accounts		7	(439)
		2,439	1,178

29. TAXATION

	Note	2011	2010
Current	29.1	9,746	4,191
Deferred		(3,666)	(3,859)
Prior year		(31)	-
		6,049	332

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29.1 In view of the available tax losses, provision for current taxation is based on turnover under Section 113 of the Income Tax Ordinance, 2001 after giving effects of tax credits if any, for sales under normal law and under section 154 read with section 169 for sales under final tax regime. Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not required in view of turnover and final taxation.

29.2 Reconciliation of tax expense and accounting profit has not been presented in these financial statements due to the reason discussed in note 29.1 to the financial statements.

30. EARNINGS PER SHARE-BASIC

		2011	2010
Profit for the year (Rupees in thousand)		39,029	26,829
		No of shares (In thousand)	
Weighted average number of ordinary shares outstanding during the year		15,177	15,177
Earnings per share-basic	(Rupees)	2.57	1.77

There is no dilutive effect on the basic earnings per share of the Company.

31. REMUNERATION TO DIRECTORS

No remuneration is paid to the Chief Executive and directors during the year, however Chief Executive Officer is provided with free use of Company maintained car.

No meeting fee has been paid to any director of the Company for attending the board meetings.

No employee of the company falls within the definition of executive as defined in the 4th schedule to the Companies Ordinance, 1984.

32. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings and other related parties through directorship of close family members of the directors of the Company.

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

	Note	2011	2010
		(Rupees in thousand)	
Post employment benefit		4,052	3,880
Repayment to directors		1,272	1,648

There were no transactions with key management personnel except those covered under their terms of employment.

33. PLANT CAPACITY AND PRODUCTION

	2011	2010
Number of spindles installed	21,574	21,312
Number of spindles worked	21,574	21,312
Number of shifts worked per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	8,147,654	9,533,629
Actual production of yarn after conversion into 20/s count (Kgs)	7,299,576	8,735,701

Reasons for shortfall

The short fall in actual production during the year when compared with capacity is mainly on account of:

- Temporary closure of business for maintenance.
- The actual production is planned to meet the market demand and orders in hand.

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34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

34.1 Financial assets and liabilities

Financial assets and liabilities of the company are as follows:-

	June 30, 2011						
	Interest/mark-up bearing			Non Interest/mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	RUPEES IN THOUSAND						
Financial assets							
At fair value through profit and loss							
Investments (NAFA securities)	-	-	-	30,009	-	30,009	30,009
Loans and receivables							
Long term deposits	-	5,176	5,176	-	2,294	2,294	7,470
Trade debts	-	-	-	7,865	-	7,865	7,865
Prepayment	-	-	-	135	-	135	135
Other receivables	-	-	-	169	-	169	169
Cash and bank balances	55,704	-	55,704	408	-	408	56,112
	55,704	5,176	60,880	38,586	2,294	40,880	101,760
Financial liabilities							
At amortised cost							
Long term financing	-	340,902	340,902	-	74,145	74,145	415,047
Trade and other payables	-	-	-	47,469	-	47,469	47,469
Interest accrued on long term financing	-	-	-	194,161	-	194,161	194,161
Short term borrowing	-	-	-	2,544	-	2,544	2,544
	-	340,902	340,902	244,174	74,145	318,319	659,221
Excess of financial assets over financial liabilities	55,704	(335,726)	(280,022)	(205,588)	(71,851)	(277,439)	(557,461)

	June 30, 2010						
	Interest/mark-up bearing			Non Interest/mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	RUPEES IN THOUSAND						
Financial assets							
At fair value through profit and loss							
Investments (NAFA securities)	-	-	-	-	-	-	-
Loans and receivables							
Long term deposits	-	5,176	5,176	-	2,285	2,285	7,461
Trade debts	-	-	-	2,636	-	2,636	2,636
Prepayment	-	-	-	-	-	-	-
Other receivables	-	-	-	63	-	63	63
Cash and bank balances	54,065	-	54,065	492	-	492	54,557
	54,065	5,176	59,241	3,191	2,285	5,476	64,717
Financial liabilities							
At amortised cost							
Long term financing	-	340,902	340,902	-	74,145	74,145	415,047
Trade and other payables	-	-	-	39,314	-	39,314	39,314
Interest accrued on	-	-	-	-	-	-	-
long term financing	-	-	-	194,161	-	194,161	194,161
Short term borrowing	-	-	-	2,544	-	2,544	2,544
	-	340,902	340,902	236,019	74,145	310,164	651,066
Excess of financial assets over financial liabilities	54,065	(335,726)	(281,661)	(232,828)	(71,860)	(304,688)	(586,349)

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34.2 FINANCIAL RISK MANAGEMENT

34.2.1 **Financial risk factors**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

a) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk at the reporting date is the carrying amount of financial assets. The carrying value of financial assets which are neither past due nor impaired are as under:

	2011	2010
	(Rupees in thousand)	
Trade debts	7,865	-
Other receivables	63	63
Short term investments	30,009	-
Bank balances	55,975	54,362
	93,912	54,425

Credit quality of financial assets

The credit quality of the company's financial assets have been assessed below by reference to external credit ratings of counterparties determined by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit rating determined based on their historical information for any defaults in meeting obligations.

	Rating			2011	2010
	Short term	Long term	Agency	(Rupees in thousand)	
Bank balances					
Al-Baraka Islamic Bank Limited	A2	A	PACRA	3,689	383
Dubai Islamic Bank Limited	A1	A	JCR-VIS	13,214	-
Faysal Bank Limited	A1+	AA	PACRA	1	1
Habib Metropolitian Bank Limited	A1+	AA+	PACRA	3	3
Habib Bank Limited	A1+	AA+	JCR-VIS	21	21
JS Bank	A1	A	PACRA	36,951	1
KASB Bank Limited	A2	A-	PACRA	21	21
Muslim Commercial Bank Limited	A1+	AA+	PACRA	27	27
Meezan Bank Limited	A1+	AA-	JCR-VIS	10	10
National Bank of Pakistan	A1+	AAA	JCR-VIS	16	40
Samba Bank Limited	A1	A+	JCR-VIS	11	11
Soneri Bank Limited	A1+	AA-	PACRA	16	16
Silk Bank Limited	A2	A-	JCR-VIS	76	32,916
United Bank Limited	A1+	AA+	JCR-VIS	1,919	20,912
				55,975	54,362

	Rating	2011	2010
Short term investments			
NAFA Government Securities Liquid Fund	AAA	30,009	-
Counterparties without external credit rating			
Other receivables		169	63

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b) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents.

Assets and liabilities maturing within twelve months are prescribed in note 34.1.

c) 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 or payables that exist due to transactions in foreign currencies.

Financial assets include Rs. 8,007,100/- (2010: Rs. 135,068/-) which were subject to currency risk.

At June 30, 2011, had the currency been weakened / strengthened by 5% against the foreign currency with all other variables held constant, profit for the year and equity would have been Rs.368,327/- (2010 : Rs.6,213/) higher / lower, mainly as a result of foreign exchange gains / losses on translation of foreign currency denominated trade debts.

(ii) Interest rate risk

Interest rate risk represents the risk that 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 financial assets. The Company's interest rate risk arises from long term financing. Borrowings obtained at variable rates exposes the Company to cash flow interest rate risk. Borrowings obtained at fixed rate exposes the company to fair value interest rate risk.

	2011	2010
	(Rupees in thousand)	
Fixed rate instruments		
Financial liabilities		
Long term financing	415,047	415,047
Floating rate instruments		
Financial assets		
Bank balances-deposit account	55,704	54,065

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 362,442/- (2010: Rupees 351,773/-) higher / lower. The analysis is prepared assuming the amounts of bank balances outstanding at the balance sheet date were outstanding for the whole year.

(iii) Other price risk

Price risk represents 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 effecting all similar financial instruments traded in the market.

The company does not believe to have been materially exposed to price risk as its investment is in NAFA Government Securities Liquid Fund.

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34.2.2 Capital risk management

The Company's objectives when managing capital are to ensure the Company's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximize return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital.

34.3 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities approximate their fair value.

35. CORRESPONDING FIGURES

35.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the comparison. Major reclassification made in the corresponding figures for better presentation are as under:

	(Rupees in thousand)	Reclassification From	Reclassification To
Other Advances	63	Advances	Other receivables
Income tax	482	Balance with statutory authorities	Other receivables
Sales tax	5,357		
Exchange (loss) on export sales	73	Other operating income	Sales - net

35.2 The following nomenclatures have also been changed during the year to be more representative:

Previous year nomenclature	Current year nomenclature
Security Deposits	Long term deposits
Selling and distribution	Distribution costs
Administrative and general	Administrative expenses
Other operating expenses	Other expenses

35.3 Figures in these financial statements have been rounded off to the nearest thousand rupees.

36. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on 08 OCT 2011 by the Board of Directors of the Company.

Hyder Bhimji & Company Chartered Accountants

CHIEF EXECUTIVE

DIRECTOR