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TEXTILE MILLS LIMITED

Annual Report 2010

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CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. S.M. Idrees Allawala	- Chairman
	Mr. Imran Idrees Allawala	- CEO
	Mr. Mansoor Idrees Allawala	- Director
	Mr. Kamran Idrees Allawala	- Director
	Mr. Naeem Idrees Allawala	- Director
	Mr. Muhammad Israil	- Director
	Mrs. Saba Kamran	- Director
AUDIT COMMITTEE	Mr. Mansoor Idrees Allawala	- Chairman
	Mr. Kamran Idrees Allawala	- Member
	Mr. Muhammad Israil	- Member
	Syed Shahid Sultan	- Secretary
CHIEF FINANCIAL OFFICER	Mr. Muhammad Jawaid	
COMPANY SECRETARY	Syed Shahid Sultan	
AUDITORS	M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants	
BANKERS	Habib Bank Limited National Bank of Pakistan Bank Alfalah Limited Habib Metropolitan Bank Ltd. Soneri Bank Limited Emirates Global Islamic Bank Ltd. Silkbank Bank Ltd. Meezan Bank Ltd.	
REGISTERED OFFICE	6-C, Ismail Centre, 1st Floor, Central Commercial Area. Bahadurabad, Karachi - 74800.	
REGISTRAR	M/s. NI Associates (Pvt.) Ltd. 53, Kokan Society, Alamgir Road, Hyder Ali Road, Karachi	
MILLS	Kot Shah Mohammad, Tehsil Nankana, District Nankana, Punjab.	

Notice is hereby given that the 21st Annual General Meeting of the Shareholders of Idrees Textile Mills Limited will be held on Friday, October 29, 2010 at 11.00 A.M. at Sadabahar, 53 Kokan Society, Alamgir Road/Hyder Ali Road, Karachi to transact the following business:

ORDINARY BUSINESS;

1. To confirm the minutes of the last Annual General Meeting held on October 30, 2009.

2. To receive, consider and adopt reports of the Directors and Auditors together with audited financial statements of the company for the year ended June 30, 2010.

3. To appoint Auditors and fix their remuneration for the year ending on June 30, 2011.The retiring Auditors M/s M. Yousuf Adil Saleem & Company, Chartered Accountants, being eligible, offer themselves for re-appointment.

4. To approve cash dividend @10% to minority shareholders, as recommended by the Board of Directors.

5. To transact any other business that may be placed before the meeting with the permission of the Chair.

By order of the Board

Syed Shahid Sultan
Company Secretary

Karachi
September 27, 2010

Note:

(i) Shareholders are advised to promptly notify any change in their address.

(ii) Share Transfer Books of the Company will remain closed from October 26, 2010 to November 03, 2010. (Both days inclusive)

(iii) A member eligible to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote for him/her.

(iv) An instrument of proxy, in order to be valid, must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding of the Meeting

(v) Shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS), entitled to attend and vote at this meeting, must bring their Original CNIC or passport to prove their identity and, in case of Proxy must enclose additionally an attested copy of their CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.

The Directors of your Company have pleasure in presenting before you the 21st Annual Report of the Company together with the audited financial statements for the year ended June 30, 2010.

FINANCIAL AND OPERATIONAL RESULTS

During the year under review the Company achieved sales volume of Rs. 1.237 billion as compared to Rs. 751.715 million during the last year. The gross profit for the year amounted to Rs. 180.547 million compared to Rs. 116.315 during the previous year while the net profit after tax for the year amounted to Rs. 31.592 million compared to net loss after tax amounting to Rs. 5.951 million for the corresponding period of last year. The significant increase in gross profit and net profit is mainly attributable to increase in quantities and prices of the yarn manufactured and sold by the Company. Our Company through effective planning, timely investment in cotton and excellent production facilities has grasped optimum benefits offered by the sharp rise in demandof cotton yarn and its selling prices. Furthermore, the Company has also been able to reduce its finance cost by 21.18% (June 2010: Rs. 112.397 million, June 2009: Rs. 142.608 milli on) in the current period compared to the corresponding period.

DIVIDEND

The Directors of the Company are pleased to recommend cash dividend @10% i.e. Rc.1.00 (Rupee One only) for each share of Rs.10/- to be paid to the minority shareholders.

SURPLUS ON REVALUATION OF FIXED ASSETS

The written down value of fixed assets was much less than the actual value of the project. In order to ascertain and report the current value of fixed assets, revaluation was arranged. Revaluation exercise was undertaken by Pakistan Bank's Association's approved valuer. This has been properly disclosed in note 4 of the annexed financial statements.

FUTURE OUTLOOK

In the year 2010-2011, cotton prices are expected to remain high resulting in cotton procurement by the industry at higher prices. Due to the recent floods, Pakistan may miss the cotton production target by about 3 million bales. At present, production of 11 million bales is expected against the target of 14 million bales. The floods have caused huge losses to Pakistan's economy. In addition, severe and increasing shortage of gas for power generation remains a drag on the growth of textile sector.

On 2nd August, 2010, the State Bank of Pakistan has increased its policy discount rate by 50 basis points thereby bringing it up to 13%. It is likely that SBP may further enhance the policy rate by a hundred or so basis points. In such circumstances, the financing cost is going to be even more costly, resulting in further increase incost of doing business.

Further the Government has decided to implement the reformed GST shortly. The new law is likely to scrap the available exemptions and may also withdraw zero-rating of the export oriented industries. The step will be a blow to the liquidity situation of the textile sector in particular. The relevant associations of the industry have taken up the case with the Government for reconsideration of the matter which also concerns the spinning sector, the largest industrial sector of Pakistan.

In view of the foregoing, we are keeping close eye on market situation and taking proactive measures to mitigate the impact of emerging challenges. As part of our future strategy we are exploring new avenues and making our best and untiring efforts to maintain efficiency, quality and control costs to cope with the adversities.

AUDITORS

The retiring Auditors M/s M. Yousuf Adil Saleem & Co., Chartered Accountants have offered themselves for reappointment for the ensuing year 2010-2011. The audit committee in its meeting held on September 25, 2010 has recommended appointment of the retiring auditors.

EARNING/(LOSS) PER SHARE

The earnings per share for the year under review worked out to Rs.1.75 as compared to loss per share of Rs. 0.33 for the corresponding period.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

(a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

(b) Proper books of account of the Company have been maintained.

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

(d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

(e) The system of internal control is sound in design and has been effectively implemented and monitored.

(f) There are no significant doubts upon the Company's ability to continue as a going concern.

(g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

(h) The book value of investments made by the Employees' Provident Fund, being operated for head office employees only, is Rs.3,694,560/- as per audited financial statements of the Fund as on June 30, 2009.

Mills employees are entitled to gratuity as per law and appropriate provision has been made in the financial statements.

(i) Key operating and financial data of last six years in a summarized form is annexed.

(j) During the year under review, nine Board of Directors meetings were held and attended as follows:

Name of Director	No. of Meetings Attended
Mr. S. M. Idrees Allawala	9
Mr. Imran Idrees Allawala	9
Mr. Mansoor Idrees Allawala	8
Mr. Kamran Idrees Allawala	9
Mr. Naeem Idrees Allawala	7
Mr. Muhammad Israil	9
Mrs. Saba Kamran	9

(k) The statement of pattern of shareholding of the Company as at June 30, 2010 is annexed. This statement is prepared in accordance with the Code of Corporate Governance.

(l) During the year under review trading in shares of the Company by the CEO, Directors and their spouses are as follows:

Name	No. of shares traded
Mr. Imran Idrees Allawala	4,000
Mr. Mansoor Idrees Allawala	101,500

ACKNOWLEDGEMENT

The directors wish to thank the bankers of the Company for their support in extending required financing facilities during the year. The directors also wish to place on record their appreciation for hard work and dedicated services rendered by the employees of the Company during the year.

By order of the Board
S.M. IDREES ALLAWALA
Chairman/Director

Karachi
September 27, 2010

	2005*	2006	2007	2008	2009	2010
Sales	543,982,240	509,633,593	613,280,389	864,805,318	751,715,779	1,237,401,725
Cost of goods sold	(489,160,786)	(410,717,990)	(496,240,947)	(710,127,712)	(635,400,434)	(1,056,854,634)
Gross Profit	54,821,454	98,915,603	117,039,442	154,677,606	116,315,345	180,547,091
Other operating income	37,375,822	13,855,416	10,637,996	6,778,107	36,769,830	16,979,390
	92,197,276	112,771,019	127,677,438	161,455,713	153,085,175	197,527,021
Distribution Cost	(2,842,572)	(3,400,620)	(3,678,410)	(3,251,543)	(1,352,706)	(1,080,785)
Administration expenses	(14,321,210)	(19,601,938)	(24,003,108)	(36,443,279)	(22,831,004)	(25,621,021)
Other operating expenses	(4,013,971)	(3,724,114)	(4,806,715)	(4,725,240)	(496,282)	(6,349,267)
Finance cost	(38,023,962)	(60,490,469)	(68,859,966)	(90,925,540)	(142,607,962)	(112,397,324)
	(59,201,715)	(87,217,141)	(101,348,199)	(135,345,602)	(167,287,954)	(145,448,397)
Waved on rescheduling of loans	-	-	-	-	-	-
Profit/ (Loss) before taxation	32,995,561	25,553,878	26,329,239	26,110,111	(14,202,779)	52,078,624
Provision for taxation - prior	-	-	36,731	(13,459)	49,669	74,383
- current	(3,353,000)	(3,095,806)	(3,771,699)	(4,378,232)	(3,063,413)	(6,607,978)
- deferred	(2,715,620)	9,387,363	(1,466,431)	(15,051,030)	11,265,617	(13,953,056)
	(6,068,620)	6,291,557	(5,201,399)	(19,442,721)	8,251,873	(20,486,651)
Profit/ (Loss) after taxation	26,926,941	31,845,435	21,127,840	6,667,390	(5,950,906)	31,591,973
Earning / (Loss) per share	1.49	1.76	1.17	0.37	(0.33)	1.75

* Nine months period ending on June 30, 2005

This statement is being presented to comply with the Code of Corporate Governance contained in relevant Listing Regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the code in the following manner:

1. The Company encourages representation of independent non-executive director and directors representing minority interest on its Board of Directors. At present the Board includes three non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All Directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFC. None of the director of the company is a member of any stock exchange.

4. No casual vacancy occurred during the year.

5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and key employees of the Company.

6. The Board has developed vision / mission statement, over all corporate strategy and significant policies of the Company which have been approved by the Board. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of Board were presided over by the Chairman. The Board held 09 meetings during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. The Directors have been made aware of the Listing Regulations of the Stock Exchange, the Company's Memorandum and Articles of Association and the Code of Corporate Governance. The Directors are therefore well conversant with their duties and responsibilities. The directors have confirmed that they have kept themselves abreast with the latest development with respect to their responsibilities.

10. No new appointment of CFO, Company Secretary or Head of Internal Audit has been made during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The Financial Statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises of three members of whom two are non-executive directors. Chairman of the audit committee is an executive director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Company as required by the Code. Six meetings of the audit committee were held during the year. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. There is no related party transactions to be placed before the audit committee and approved by the Board of Directors.

21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board
of Directors

Karachi
September 27, 2010

IMRAN IDREES ALLAWLA
Chief Executive Officer

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 **Idrees 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2010.

Chartered Accountants

Karachi
September 27, 2010

We have audited the annexed balance sheet of **IDREES TEXTILE MILLS LIMITED** (the Company) as at June 30, 2010 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 except for the change as stated in not 2.2 with which we concur;

   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;

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, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Karachi
September 27, 2010

BALANCE SHEET
As at June 30, 2010

	Note	2010 Rupees	2009 Rupees
SHARE CAPITAL AND RESERVE			
Authorized			
22,000,000			
Ordinary shares of Rs.10/= each		220,000,000	220,000,000
Issued, subscribed and paid up	3	180,480,000	180,480,000
Unappropriated profit		167,600,128	126,152,386
		348,080,128	306,632,386
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	4	378,426,711	295,192,500
NON-CURRENT LIABILITIES			
Long-term finance			
From banking companies	5	36,337,500	69,125,000
From related parties	6	100,330,001	100,330,001
		136,667,501	169,455,001
Liabilities against assets subject to finance lease	7	9,055,529	30,685,856
Deferred income	8	-	2,590,866
Deferred liabilities	9	255,342,018	178,324,190
CURRENT LIABILITIES			
Trade and other payables	10	67,749,720	122,062,058
Interest / mark-up accrued	11	23,510,762	27,830,427
Short term borrowings	12	529,734,267	514,506,216
Current portion of			
long-term finance	5	60,100,000	101,028,296
liabilities against assets subject to finance lease	7	22,206,364	63,139,365
Taxation - income tax		6,414,964	13,205,460
		709,716,077	841,771,822
CONTINGENCIES AND COMMITMENTS	13		
		1,837,287,964	1,824,652,621

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

	Note	2010 Rupees	2009 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	14	**1,052,406,849**	955,593,007
Long-term deposits	15	**7,481,693**	11,766,551
CURRENT ASSETS			
Stores, spares and loose tools	16	**23,820,415**	19,828,769
Stock-in-trade	17	**300,599,685**	490,089,690
Trade debts	18	**381,852,484**	268,811,794
Loans and advances	19	**7,921,513**	17,401,024
Deposits and short term prepayments	20	**5,121,292**	22,092,199
Other receivables	21	**12,007,451**	8,288,596
Cash and bank balances	22	**46,076,582**	30,780,991
		777,399,422	857,293,063
		1,837,287,964	1,824,652,621

CHIEF EXECUTIVE OFFICER

DIRECTOR

	Note	2010 Rupees	2009 Rupees
Sales	23	1,237,401,725	751,715,779
Cost of goods sold	24	(1,056,854,634)	(635,400,434)
Gross profit		180,547,091	116,315,345
Other operating income	25	16,979,930	36,769,830
		197,527,021	153,085,175
Distribution cost	26	1,080,785	1,352,706
Administrative expenses	27	25,621,021	22,831,004
Other operating Expenses	28	6,349,267	496,282
Finance cost	29	112,397,324	142,607,962
		145,448,397	167,287,954
Profit / (loss) before taxation		52,078,624	(14,202,779)
Taxation	30	(20,486,651)	8,251,873
Profit / (loss) for the year		31,591,973	(5,950,906)
Other comprehensive income for the year		-	-
Total comprehensive income / (loss) for the year		31,591,973	(5,950,906)
Earnings per share - basic and diluted	31	1.75	(0.33)

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

	2010 Rupees	2009 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	52,078,624	(14,202,779)
Adjustments for :		
Depreciation	65,980,563	67,457,008
Deferred income	(2,590,866)	(4,814,887)
Provision for retirement gratuity	4,990,671	5,881,537
Liabilities written back	(257,220)	50,001
Loss on sale of property, plant and equipment	-	5,873
Finance cost	112,397,324	142,607,962
	232,599,096	196,984,715
(Increase) / decrease in current assets		
Stores, spares and loose tools	(3,991,646)	4,740,268
Stock-in-trade	189,490,005	(928,440)
Trade debts	(113,040,690)	26,957,791
Loans and advances	1,198,969	(829,514)
Deposits and short-term prepayments	56,619	494,172
Other receivables	(3,718,855)	(2,554,391)
Decrease in current liabilities		
Trade and other payables	(54,051,418)	(194,930,008)
	15,942,984	(167,050,122)
Cash generated from operations	248,542,080	29,934,593
Finance cost paid	(116,716,989)	(136,648,294)
Gratuity paid	(3,887,206)	(2,671,584)
Income tax paid	(5,043,549)	(4,836,319)
Net cash from / (used in) operating activities	122,894,336	(114,221,604)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,231,118)	(1,577,466)
Proceed on disposal of property, plant and equipment	37,000	36,014,000
Long-term deposits	21,199,146	(5,098,150)
Net cash from investing activities	14,005,028	29,338,384
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance obtained	-	53,000,000
Repayment of long term finance	(73,715,796)	(76,355,594)
Repayment of finance lease liability	(63,112,328)	(40,829,650)
Dividend paid	(3,700)	(258,269)
Net cash used in financing activities	(136,831,824)	(64,443,513)
Net increase / (decrease) in cash and cash equivalent (A+B+C)	67,540	(149,326,733)
Cash and cash equivalents at beginning of the year	(483,725,225)	(334,398,492)
Cash and cash equivalents at end of the year	(483,657,685)	(483,725,225)
Cash and cash equivalents include:		
Cash and bank balances	46,076,582	30,780,991
Running finance	(320,050,253)	(315,781,927)
Cash finance	(209,684,014)	(197,851,178)
Book overdraft	-	(873,111)
	(483,657,685)	(483,725,225)

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

	Issued, subscribed and paid-up Capital	*Unappropriated profit*	*Total*
	....	*Rupees*	....
Balance as at June 30, 2008	180,480,000	118,234,342	298,714,342
Total Comprehensive Loss for the year	-	(5,950,906)	(5,950,906)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	13,868,950	13,868,950
Balance as at June 30, 2009	180,480,000	126,152,386	306,632,386
Total Comprehensive Profit for the year	-	31,591,973	31,591,973
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	9,855,769	9,855,769
Balance as at June 30, 2010	180,480,000	167,600,128	348,080,128

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

1. GENERAL INFORMATION

1.1 Idrees Textile Mills Limited (the Company) was incorporated in Pakistan as an unquoted public limited company on June 05, 1990 under the Companies Ordinance, 1984 and was listed on Karachi and Lahore Stock Exchanges on April 28, 1992. The registered office of the Company is situated at 6-C, Ismail Centre, 1st floor, Central Commercial Area, Bahadurabad, Karachi, in the Province of Sindh. The principal activity of the Company is manufacturing and sale of yarn and fabric. The Company's manufacturing facility is located at Kot Shah Muhammad, District Nankana in the Province of Punjab.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of Companies Ordinance, 1984 (the Ordinance) and directives issued by the Securities and Exchange Commission of Pakistan, and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or the directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Adoption of new International Financial Reporting Standards

In the current year, the company has adopted all new Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for company's accounting period beginning on July 01, 2009. The adoption of these new Standards and Interpretations have resulted in changes to the Company's accounting policies in the following areas:

IAS 1 (revised) - Presentation of Financial Statements — January 01, 2009

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Further, under revised standard, an entity may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Company has opted to present the components of profit or loss as part of a single statement of comprehensive income (as opted by the company) as permitted under revised IAS 1.

As surplus on revaluation of assets does not form part of the equity under the local laws and is presented below the equity in the balance sheet, accordingly changes in equity arising from surplus on revaluation of assets have not been considered part of comprehensive income and accordingly these are not included in the statement of comprehensive income presented in these financial statements.

Accordingly, the adoption of the above standard does not have any significant impact on the prostration of the company's financial statements and dose not require the restatement or reclassification of comparative information. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 8 - Operating Segments — January 01, 2009

IFRS 8 replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company considers itself as a single operating segment company and the Company's performance is evaluated on an overall basis. The adoption of this standard has no impact on the Company's financial statement.

Improving Disclosures about Financial Instruments
(Amendments to IFRS 7 Financial Instruments: Disclosures) — January 01, 2009

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Company does not hold any financial Instruments that requires the application of the above disclosures.

2.3 New accounting standards and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them:

IFRS 9 - Financial Instruments	January 01, 2013
Amendments to IFRS 2 - Share based Payment	January 01, 2010
Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 01, 2010
Amendments to IAS 7 - Statement of Cash Flows	January 01, 2010
Amendments to IAS 17 - Leases	January 01, 2010
Amendments to IAS 24 - Related Party Disclosures	January 01, 2010

2.4 Interpretations to existing standards that are effective and not relevant for the company's operations

The following new and revised Standards and Interpretations has been published and is mandatory for the company's accounting year beginning on July 01, 2009 but is not relevant for the Company's operations.

Amendments to IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance	January 01, 2009
Amendments to IAS 40 - Investment Property	January 01, 2009
Amendments to IAS 23 - Borrowing Costs	January 01, 2009
IFRS 2 - Share-based Payment : Vesting Conditions and Cancellations	January 01, 2009
IFRS 3 - Business Combinations (Revised) and IAS 27 - Consolidated and Separate Financial Statements (Amended) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39	July 01, 2009
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	July 01, 2009
IAS 32 - Financial Instruments : Presentation and IAS 1 Puttable Financial Instruments and Obligations arising on Liquidation	January 01, 2009
IAS 38 - Intangible Assets	January 01, 2009
IAS 39 Financial Instruments : Recognition and Measurement - Eligible Hedged Items	July 01, 2009
IFRIC 9 - Remeasurement of Embedded derivatives and IAS 39 Financial Instruments : Recognition and Measurement	July 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 17 Distribution of Non-cash Assets to Owners	January 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009

2.5 Basis of preparation

These financial statements have been prepared under historical cost convention except that property, plant and equipment are stated at revalued amounts and certain employee retirement benefits are stated at present value.

2.6 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all its factory workers who have completed the minimum qualifying period of service as defined under the scheme. The Company recognizes the expense and liability on the basis of actuarial recommendation in accordance with IAS-19 "Employee Benefits". The most recent actuarial valuation was carried out at June 30, 2010 using "Projected Unit Credit Method".

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceed 10% of the present value of the Company's obligation are amortized over the average expected remaining working lives of the employees.

Defined contribution plan

The Company operates an approved funded contributory provident fund scheme for all head office staff. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% of basic salary per annum.

2.7 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effect on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized for all deductable temporary differences and for unused tax losses, if any, to the extent that it is probable that future taxable profits will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

2.8 Property, plant and equipment

Owned

Property, plant and equipment except capital work-in-progress are stated at revalued amounts less accumulated depreciation and impairment, if any. Capital work-in-progress is stated at cost less impairment, if any. Depreciation is charged to income applying the straight line method over its estimated useful life at the rates specified in note 14.1.

In respect of additions and disposals of assets during the year, depreciation is charged from the month the asset is available for use and upto the month preceding the disposal respectively.

During the year useful life of property, plant and equipment were reviewed by the management as a result of which depreciation rates for electric installations obtained on lease were reduced from 10% to 5% to reflect its best estimated useful life.

Had the useful life of electric installations not been changed, depreciation expense would have been increased by Rs. 700,000 and carrying value of property, plant and equipment and unappropriated profit would have been decreased by the same amount.

Gains or losses on disposal of assets, if any, are recognized in profit and loss account as and when incurred.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to unappropriated profit.

All expenditures connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

Assets subject to finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

2.9 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Deferred income on sale and lease back

Deferred income represents the excess of sales proceed over the carrying amount of property, plant and equipment sold under sale and leaseback arrangement that resulted in finance lease. The excess is being amortized over the lease term of the assets.

2.10 Stores, spares and loose tools

These, except for items-in-transit, are valued at moving average cost less allowance for obsolete and slow moving items (if any). Items-in-transit are stated at invoice values plus other charges incurred thereon upto the balance sheet date.

2.11 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value.

Cost signifies in relation to:

Raw material	At weighted average cost
Stock-in-transit	At cost incurred upto balance sheet date
Work-in-process and finished goods	At average manufacturing cost
Waste stock	At net realizable value.

Average cost in relation to work in process and finished goods signifies average manufacturing cost including a portion of related direct overheads.

Net realizable value signifies the estimated selling price in ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2.12 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

2.13 Trade and other payables

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

2.14 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

2.15 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the financial statements if, and only if, there is a legally enforceable right to set-off the recognized amounts and there is an intention either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

2.16 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence 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.

Non-Financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset (if any), 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.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss, if any, is recognized as income.

2.17 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditures on qualifying assets is deducted from borrowing cost eligible for capitalisation.

All other borrowing costs are recognized in profit and loss account in the period in which they are incurred.

2.18 Foreign currency translations

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Gains and losses arising on retranslation are included in profit and loss account.

2.19 Provisions

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

2.20 Revenue recognition

Sales of goods are recognized when the goods are delivered and title has passed, i.e., when the significant risks and rewards of ownership have been transferred to the customer.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are declared and approved.

2.22 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 consists of cash in hand and balances with banks in current and term deposit accounts, net of cash finance, running finnace and book overdraft.

2.23 Critical judgments and accounting estimates in applying the accounting policies

The preparation of financial statements in conformity with approved accounting standards 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 result 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 ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of policies are as follows:

- Provision for retirement benefits (note 2.6 and 9.2)
- Useful life and residual value of property, plant and equipment (note 2.8 and 14)
- Other provisions (note 2.10, 2.11, 2.12, 2.16, 2.19, 10, 16, 18, 21)
- Provision for taxation (note 2.7, 9.1, 30)

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010 Number of shares		2010 Rupees	2009 Rupees
18,048,000	Ordinary shares of Rs. 10 each fully paid in cash	**180,480,000**	180,480,000

3.1 Shares were held by the associates of the Company as at balance sheet date:

	2010	2009
	Number of ordinary shares of Rs. 10 each	
Shama Enterprises (Private) Limited	**1,044,000**	1,044,000
Bilal Omair Textile Mills (Private) Limited	**300,000**	300,000
	1,344,000	1,344,000

4. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax

This represents surplus over book values resulting from the revaluation of property, plant and equipment. Recent revaluation has been carried out on June 30, 2010 by M/s Consultancy Support and Services on the basis of market value or depreciated replacement values as applicable, adjusted by surplus realized on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation.

	Note	2010 Rupees	2009 Rupees
Surplus on revaluation of property, plant and equipment at beginning of the year		416,549,170	436,795,813
Increase arising on revaluation of property, plant and equipment		155,051,287	-
Transferred to unappropriated profit on account of:			
- incremental depreciation - net of deferred tax		(9,855,769)	(13,868,950)
- related deferred tax liability		(5,103,959)	(6,377,693)
		(14,959,728)	(20,246,643)
Surplus on revaluation of property, plant and equipment at June 30		556,640,729	416,549,170
Related deferred tax liability:			
Revaluation at beginning of the year		121,356,670	141,927,070
Adjustment due to income subject to FTR		9,060,920	(14,192,707)
Transferred to profit and loss account on account of			
- incremental depreciation - net of deferred tax		(5,103,959)	(6,377,693)
Effect of revaluation carried out during the year		52,900,387	-
		178,214,018	121,356,670
		378,426,711	295,192,500

5. LONG-TERM FINANCE - FROM BANKING COMPANIES

	Note	2010 Rupees	2009 Rupees
Secured			
Term finance:			
Soneri Bank	5.1	60,637,500	79,062,500
Bank Alfalah	5.2	26,000,000	53,000,000
Demand finance		-	22,292,197
Frozen markup	5.3	9,800,000	15,798,599
		96,437,500	170,153,296
Current Portion			
Term finance		(50,300,000)	(62,937,500)
Demand finance		-	(22,292,197)
Frozen markup		(9,800,000)	(15,798,599)
		(60,100,000)	(101,028,296)
		36,337,500	69,125,000

5.1 The term finance is subject to markup at the rate of 6 months KIBOR plus 2.5% (2009: 6 months KIBOR plus 2.5%) per annum payable quarterly. The facility is repayable in 2.5 years and is secured against parri passu charge on fixed assets of the Company to the extent of Rs. 200 million. The effective interest rate for the term finance facility was 14.65% (2009: 17.27%).

5.2 The term finance is subject to markup at the rate of 3 months KIBOR plus 2% (2009: 3 months KIBOR plus 2%) per annum payable quarterly. The facility is repayable within 1 year and is secured by first parri passu charge on fixed assets of the Company to the extent of Rs. 150 million and personal guarantee of directors of the Company. The effective interest rate for the term finance facility was 15.52% (2009: 17.68%).

5.3 Frozen mark-up is interest free and secured against first parri passu equitable mortgage on fixed assets of the Company and shares and property of sponsors and personal guarantee of sponsor directors of the Company.

5.4 The exposure of the company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	2010 Rupees	2009 Rupees
6 months or less	**86,637,500**	154,354,697

6. LONG-TERM FINANCING - FROM RELATED PARTIES

Unsecured	**100,330,001**	100,330,001

6.1 These represent unsecured interest free loans obtained from directors and an associated undertaking and are not repayable within next twelve months.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent plant and machinery, electric installation and vehicles acquired under finance leases / ijara finance from leasing companies and financial institutions. Future minimum lease payments under lease together with the present value of the net minimum lease payments are as follows :-

	2010		2009	
	Minimum lease payments	Present Value	Minimum lease payments	Present Value
	Rupees			
Within one year	**24,185,488**	**22,206,364**	70,390,623	63,139,365
After one year but not more than five years	**9,192,199**	**9,055,529**	32,571,903	30,685,856
Total minimum lease payments	**33,377,687**	**31,261,893**	102,962,526	93,825,221
Less: Amount representing finance charges	**2,115,794**	**-**	9,137,305	-
Present value of minimum lease payments	**31,261,893**	**31,261,893**	93,825,221	93,825,221
Less: Current portion	**(22,206,364)**	**(22,206,364)**	(63,139,365)	(63,139,365)
	9,055,529	**9,055,529**	30,685,856	30,685,856

7.1 The rates of markup ranges from 14.99% to 19.95% (2009: 14.99% to 19.96%) per annum and are used as discounting factor. The lease terms are 3 to 3.5 years. The Company intends to exercise its option to purchase the leased assets upon completion of the lease period. Liabilities are secured against demand promissory notes and security deposits.

7.2 The carrying value of assets held under finance lease approximates its fair value as the rate used for discounting is the rate implicit in the lease.

7.3 The exposure of the Company's liabilities under finance lease agreements is subject to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Note	2010 Rupees	2009 Rupees
6 months or less		31,261,893	93,825,221

8. DEFERRED INCOME

	Note	2010 Rupees	2009 Rupees
Balance at July 01,		2,590,866	6,952,606
Profit on sale and lease back		-	453,147
		2,590,866	7,405,753
Less: Transferred to profit and loss account	25	(2,590,866)	(4,814,887)
Balance at June 30,		-	2,590,866

9. DEFERRED LIABILITIES

	Note	2010 Rupees	2009 Rupees
Deferred taxation	9.1	243,925,619	168,011,256
Staff retirement gratuity	9.2	11,416,399	10,312,934
		255,342,018	178,324,190

9.1 Deferred taxation

This comprises of the following:

	2010 Rupees	2009 Rupees
Deferred tax liability on taxable temporary differences arising in respect of:		
- property, plant and equipment	111,468,898	95,597,349
- surplus on revaluation of property, plant and equipment	178,214,018	121,356,670
	289,682,916	216,954,019
Deferred tax asset on deductible temporary difference arising in respect of:		
- trade debts	77,890	49,894
- stores and spares	53,422	49,323
- other receivables	2,624,970	5,043,148
- staff retirement gratuity	3,895,046	3,248,574
- deferred income	-	816,123
- workers welfare fund	-	329,798
- assessed brought forward tax losses	39,105,969	39,405,903
	(45,757,297)	(48,942,763)
	243,925,619	168,011,256

9.2 Staff retirement gratuity

	Note	2010 Rupees	2009 Rupees
Mills	9.2.1	11,053,500	9,873,875
Head office	9.2.2	362,899	439,059
		11,416,399	10,312,934

	Note	2010 Rupees	2009 Rupees

9.2.1 Mills - Defined benefit plan

(a) Charge for the year

	2010 Rupees	2009 Rupees
Current service cost	**3,805,806**	5,095,403
Interest cost	**1,184,865**	786,134
	4,990,671	5,881,537

(b) Movement in liability

	2010 Rupees	2009 Rupees
Balance at July 01,	**9,873,875**	6,461,263
Charge for the year	**4,990,671**	5,881,537
Paid during the year	**(3,811,046)**	(2,468,925)
Balance as at June 30,	**11,053,500**	9,873,875

(c) The principal assumptions used are as follows:

	2010	2009
Discount rate	**12%**	12%
Expected rate of salary increase	**11%**	11%

(d) Amounts for the current and previous four periods are as follows:

	2010	2009	2008	2007	2006
	...Rupees...				
Present value of the defined benefit obligation	**11,053,500**	9,873,875	6,551,114	5,479,141	4,407,494
Plan assets	-	-	-	-	-
Deficit	**11,053,500**	9,873,875	6,551,114	5,479,141	4,407,494

9.2.2 Head office - Defined benefit plan

	Note	2010 Rupees	2009 Rupees
At the beginning of the year		**439,059**	641,718
Paid during the year		**(76,160)**	(202,659)
As at June 30	9.2.2.1	**362,899**	439,059

9.2.2.1 This amount relates to the unfunded gratuity scheme for the head office staff which has now been freezed as per the Company policy.

	Note	2010 Rupees	2009 Rupees
10. TRADE AND OTHER PAYABLES			
Creditors		8,959,985	13,665,888
Accrued liabilities		45,337,496	28,281,578
Bills payable		-	2,019,605
Advance from customers		1,529,499	8,067,716
Workers' profit participation fund	10.2	2,796,919	-
Workers' welfare fund		2,109,807	1,046,978
Unclaimed dividend		2,355,592	2,359,292
Provident fund		149,712	126,144
Morabaha finance		-	61,608,300
Others		4,510,710	4,886,557
		67,749,720	122,062,058

10.1 Trade payables are non-interest bearing and are normally settled on 90-day terms.

10.2 Workers' participation fund

	2010	2009
Balance at July 01,	-	4,423,854
Allocation during the year	2,796,919	-
Interest on fund utilized in Company's business	-	388,148
	2,796,919	4,812,002
Paid during the year	-	(4,812,002)
Balance at June 30,	2,796,919	-

11. INTEREST / MARK-UP ACCRUED

	2010	2009
Long-term finance	3,525,048	6,792,408
Short-term borrowings	19,985,714	18,946,949
Morabaha finances	-	2,091,070
	23,510,762	27,830,427

12. SHORT-TERM BORROWINGS

	Note	2010	2009
From banking companies-secured			
Cash finances	12.1	209,684,014	197,851,178
Running finances	12.2	320,050,253	315,781,927
Book overdraft		-	873,111
		529,734,267	514,506,216

12.1 These facilities are available from various banks amounting to Rs.295 (2009 : Rs.295) million. These are secured against pledge of cotton, viscose fiber, first hypothecation charge on stock-in-trade and second charge on book debts of Rs.135 million, equitable mortgage of properties of directors and personal guarantee of directors. These are subject to markup at the rates ranging from KIBOR plus 2 to 2.5% (2009: KIBOR plus 2 to 2.5%) per annum payable quarterly. The effective interest rate for cash finance facilities was 16.76% (2009: 18.51%).

12.2 These facilities are available from various banks amounting to Rs. 322 (2009 : Rs. 317) million. These are secured against various assets including first pari passu hypothecation charge over present and future stock-in-trade amounting to Rs. 107 million, first hypothecation charge over present and future book debts upto Rs. 130 million, ranking charge on the stocks and receivables of the Company amounting to Rs. 60 million, equitable mortgage on various properties and personal guarantees of all directors of the Company. These running finance are subject to mark up at the rates ranging from KIBOR plus 2% to 4% (2009: KIBOR plus 2.5 to 3%) per annum payable quarterly. The FE-25 financing, a sub facility of the above mentioned facilities, if availed, carries mark up at the rate of LIBOR plus spread (2009: LIBOR plus 2%) per annum payable quarterly. The effective interest rate for running finance facilities was 14.54% (2009: 16.53%).

12.3 The exposure of the Company's short term borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Note	2010 Rupees	2009 Rupees
6 months or less		**529,734,267**	514,506,216

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

	Note	2010 Rupees	2009 Rupees
Letters of guarantee issued by banks on behalf of the Company	13.3	**52,824,568**	40,415,720

13.2 Commitments

	Note	2010 Rupees	2009 Rupees
Letters of credit for import of cotton / viscose	13.3	**-**	69,983,065
Capital commitment		**90,000**	-

13.3 The Company has obtained facilities of Letters of Guarantee and Letters of Credit from various banks amounting to Rs. 58.96 (2009: Rs. 58.96) million and Rs. 175 (2009: Rs. 250) million respectively.

14. PROPERTY, PLANT AND EQUIPMENT

	Note	2010 Rupees	2009 Rupees
Operating assets	14.1	**1,047,788,218**	952,280,075
Capital work-in-progress	14.4	**4,618,631**	3,312,932
		1,052,406,849	955,593,007

14.1 Operating Assets

Particulars	Cost/Revaluation at July 01, 2009	Additions/ (Disposal)	Transfer	* Revaluation adjustment	Cost/Revaluation at June 30, 2010	Accumulated Depreciation at July 01, 2009	Depreciation/ (Adjustment)	Transfer	* Accumulated Depreciation at June 30, 2010	Carrying value at June 30, 2010	Dep. Rate %
	---	---	---	---	Rupees	---	---	---	---	---	
Owned assets											
Land - freehold	40,062,500	-	-	3,004,688	**43,067,188**	-	-	-	-	**43,067,188**	-
Factory building on freehold land	172,690,731	-	-	29,589,108	**202,279,839**	23,681,801	8,634,537	-	32,316,338	**169,963,501**	5
Labour colony	16,216,000	-	-	5,364,200	**21,580,200**	2,432,400	810,800	-	3,243,200	**18,337,000**	5
Plant and machinery	782,317,678	4,377,345	** 73,229,046	116,511,177	**976,435,246**	231,918,447	40,946,392	** 11,984,357	284,849,196	**691,586,050**	5
Electric installations	46,778,006	-	** 14,000,000	5,249,357	**66,027,363**	16,931,004	2,580,568	** 2,460,792	21,972,364	**44,054,999**	5
Factory equipment	11,762,571	809,414	-	752,536	**13,324,521**	2,354,771	628,600	-	2,983,371	**10,341,150**	5
Office equipment	7,767,085	193,830	-	-	**7,960,915**	7,755,483	8,765	-	7,764,248	**196,667**	10
Furniture and fixtures	3,594,062	-	-	-	**3,594,062**	2,555,402	359,406	-	2,914,808	**679,254**	10
Vehicles	20,678,911	544,830 (40,415)	** 2,255,000	-	**23,438,326**	13,677,907	4,236,567 (3,415)	** 1,353,000	19,264,059	**4,174,267**	20
	1,101,867,544	5,925,419 (40,415)	89,484,046	160,471,066	**1,357,707,660**	301,307,215	58,205,635 (3,415)	15,798,149	375,307,584	**982,400,076**	
Leased assets											
Plant and machinery	148,547,119	-	**(73,229,046)	(5,419,779)	**69,898,294**	13,914,234	5,693,417	** (11,984,357)	7,623,294	**62,275,000**	5
Electric installations	14,000,000	-	**(14,000,000)	-	-	2,002,459	458,333	** (2,460,792)	-	-	5
Vehicles	8,354,473	549,000	** (2,255,000)	-	**6,648,473**	3,265,153	1,623,178	** (1,353,000)	3,535,331	**3,113,142**	20
	170,901,592	549,000	(89,484,046)	(5,419,779)	**76,546,767**	19,181,846	7,774,928	(15,798,149)	11,158,625	**65,388,142**	
2010	1,272,769,136	6,474,419 (40,415)	-	155,051,287	**1,434,254,427**	320,489,061	65,980,563 (3,415)	-	386,466,209	**1,047,788,218**	

* All operating assets were revalued at June 30, 2010 except office equipment, furniture and fixtures and vehicles as their aggregate carrying values are immaterial on valuation date.

** Represents transfer from leased assets on owned assets on maturity of leasing arrangements.

For Comparative Period

Particulars	Cost/Revaluation at July 01, 2008	Additions/ (Disposal)	Transfer	Cost/Revaluation at June 30, 2009	Accumulated Depreciation at July 01, 2008	Depreciation/ (Adjustment)	Transfer	Accumulated Depreciation at June 30, 2009	Carrying value at June 30, 2009	Dep. Rate %
	-Rupees-									
Owned assets										
Land - freehold	40,062,500	-	-	**40,062,500**	-	-	-	-	**40,062,500**	-
Factory building on freehold land	172,147,099	-	* 543,632	**172,690,731**	15,047,264	8,634,537	-	23,681,801	**149,008,930**	5
Labour colony	16,216,000	-	-	**16,216,000**	1,621,600	810,800	-	2,432,400	**13,783,600**	5
Plant and machinery	820,066,548	*** (37,748,870)	-	**782,317,678**	194,532,719	39,587,745 (2,202,017)	-	231,918,447	**550,399,231**	5
Electric installations	46,778,006	-	-	**46,778,006**	14,592,104	2,338,900	-	16,931,004	**29,847,002**	5
Factory equipment	11,762,571	-	-	**11,762,571**	1,766,643	588,128	-	2,354,771	**9,407,800**	5
Office equipment	7,755,085	12,000	-	**7,767,085**	7,062,888	** 692,595	-	7,755,483	**11,602**	10
Furniture and fixtures	3,594,062	-	-	**3,594,062**	2,195,996	359,406	-	2,555,402	**1,038,660**	10
Vehicles	17,511,376	79,275 (37,740)	** 3,126,000	**20,678,911**	7,275,742	4,009,479 (17,867)	2,410,553	13,677,907	**7,001,004**	20
	1,135,893,247	91,275 (37,786,610)	3,669,632	**1,101,867,544**	244,094,956	57,021,590 (2,219,884)	2,410,553	301,307,215	**800,560,329**	
Leased assets										
Plant and machinery	112,547,119	*** 36,000,000	-	**148,547,119**	6,936,877	** 6,977,357	-	13,914,234	**134,632,885**	5
Electric installations	14,000,000	-	-	**14,000,000**	602,459	1,400,000	-	2,002,459	**11,997,541**	10
Vehicles	10,465,473	1,015,000	** (3,126,000)	**8,354,473**	3,617,645	2,058,061	(2,410,553)	3,265,153	**5,089,320**	20
	137,012,592	37,015,000	(3,126,000)	**178,901,592**	11,156,981	10,435,418	(2,410,553)	19,181,846	**151,719,746**	
2009	1,272,905,839	37,106,275 (37,786,610)	543,632	**1,272,769,136**	255,251,937	67,457,008 (2,219,884)	-	320,489,061	**952,280,075**	

* Represents transfer from capital work in progress to operating assets.

** Represents transfer from leased assets to owned assets on maturity of leasing arrangements.

*** Represents sale and lease back arrangement.

	Note	2010 Rupees	2009 Rupees
14.2 Depreciation for the year has been allocated as under:			
Cost of goods sold	24	**59,752,647**	60,337,466
Administrative expenses	27	**6,227,916**	7,119,542
		65,980,563	67,457,008

14.3 The following assets were disposed off during the year:

Description	Cost/Revaluation	Accumulated Depreciation	Carrying value	Insurance claim	Mode of disposal	Particulars
	-----------------Rupees-----------------					
Vehicle	40,415	3,415	37,000	37,000	Insurance claim	Askari General Insurance Company Limited 4th Floor, AWT Plaza, The Mall, Rawalpindi.
June 30, 2010	40,415	3,415	37,000	37,000		
June 30, 2009	37,786,610	2,219,884	35,566,726	36,014,000		

14.4 Had there been no revaluation, the related figures of operating assets as at June 30, 2010 would have been as follows:

	2010			
	Cost	Accumulated Depreciation	Carrying Value 2010	Carrying Value 2009
	Rupees			
Land-freehold	8,772,600	-	**8,772,600**	8,772,600
Factory building on freehold land	133,655,055	(61,135,715)	**72,519,340**	79,202,093
Labour colony	15,134,513	(12,336,142)	**2,798,371**	3,555,097
Plant and machinery	814,319,268	(430,511,959)	**383,807,309**	420,023,630
Electric installations	44,499,062	(12,127,884)	**32,371,178**	34,596,131
Factory equipment	5,590,977	(2,828,385)	**2,762,592**	2,232,727
Office equipment	6,071,582	(5,873,714)	**197,868**	56,775
Furniture and fixtures	2,994,320	(2,994,320)	-	-
Vehicles	40,185,924	(39,186,877)	**999,047**	376,083
	1,071,223,301	(566,994,996)	**504,228,305**	548,815,136

	Note	2010 Rupees	2009 Rupees
14.5 CAPITAL WORK-IN-PROGRESS			
Civil work		**3,568,631**	3,312,932
Plant and machinery		**1,050,000**	-
		4,618,631	3,312,932
15. LONG-TERM DEPOSITS			
Deposits			
- lease		**9,996,655**	31,296,301
- others		**1,925,293**	1,824,793
		11,921,948	33,121,094
Less: Current portion	20	**4,440,255**	21,354,543
		7,481,693	11,766,551
16. STORES, SPARES AND LOOSE TOOLS			
Stores		**8,282,137**	2,885,753
Spares		**10,149,443**	10,620,052
Stores and spares in transit		**5,480,831**	6,423,638
Loose tools		**64,584**	55,906
		23,976,995	19,985,349
Less: Provision for slow-moving items		**(156,580)**	(156,580)
		23,820,415	19,828,769

17. STOCK-IN-TRADE

	Note	2010 Rupees	2009 Rupees
Raw material - in hand		140,848,969	255,227,022
- in transit		5,237,707	82,813,085
Work in process		16,460,324	18,421,527
Finished goods	17.1	135,818,849	127,377,032
Waste		2,233,836	6,251,024
		300,599,685	490,089,690

17.1 Finished goods costing Rs. 5,197,282 (2009: Rs. nil) has been valued at net realizable value of Rs. 4,565,560.

18. TRADE DEBTS

	Note	2010 Rupees	2009 Rupees
Considered good	18.2	381,852,484	268,338,513
Considered doubtful		228,296	631,674
		382,080,780	268,970,187
Less: Provision for doubtful debts		(228,296)	(158,393)
		381,852,484	268,811,794

18.1 Movement in provision for doubtful debts

	2010 Rupees	2009 Rupees
Balance at July 1	158,393	158,393
Provision made during the year	69,903	-
Balance at June 30	228,296	158,393

18.2 Trade debts are non-interest bearing and are generally on 60 to 180 days terms.

18.3 Trade debts include debtors with a carrying amount of Rs. 50.55 million (2009: Rs. 11 million) which are past due at the reporting date for which the Company has not made any provision for doubtful recovery as there has not been a significant change in credit quality and the amounts are still considered recoverable.

18.4 Ageing of past due but not impaired

	Note	2010 Rupees	2009 Rupees
90-180 days		48,225,702	120,211
180 days and above		2,326,846	10,895,142
		50,552,548	11,015,353

19. LOANS AND ADVANCES
Considered good

	2010 Rupees	2009 Rupees
Loan to employees - unsecured	212,500	322,800
Advances - unsecured		
for purchases	123,231	932,554
for expenses	580,806	860,152
	704,037	1,792,706
Income tax	7,004,976	15,285,518
	7,921,513	17,401,024

20. DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2010 Rupees	2009 Rupees
Current portion of long-term deposits	15	4,440,255	21,354,543
Prepayments		681,037	737,656
		5,121,292	22,092,199

	Note	2010 Rupees	2009 Rupees
21. OTHER RECEIVABLES			
Sales tax		6,683,505	3,600,426
Central excise duty on bank borrowings and lease finances		-	8,315,650
Export rebate		2,194,344	2,194,344
Margin against letters of guarantee		3,067,070	3,067,070
Cotton quality and weight claims		419,220	293,512
Profit on deposits		2,160,431	968,603
Mark-up subsidy	29.1	676,680	1,358,440
		15,201,250	19,798,045
Less: Provision for doubtful receivables	21.1	(3,193,799)	(11,509,449)
		12,007,451	8,288,596

21.1 Movement in provision for doubtful other receivables

	2010 Rupees	2009 Rupees
Balance at July 1,	11,509,449	11,509,449
Balance written-off during the year	(8,315,650)	-
Balance at June 30,	3,193,799	11,509,449

22. CASH AND BANK BALANCES

	Note	2010 Rupees	2009 Rupees
Cash in hand		525,609	162,596
Cash at bank			
- in current accounts		17,247,706	10,108,720
- in term deposit accounts	22.1	28,277,559	20,488,559
- in saving account	22.2	25,708	21,116
		46,076,582	30,780,991

22.1 This represents term deposit receipts on account of guarantees provided by the bank for a period of six months to two years carrying mark-up at the rate of 6.8% to 11% (2009: 8.5% to 12%) per annum received on quarterly basis. The bank has a lien on these term deposit receipts.

22.2 Effective mark-up rate is 4.96% (2009: 7.25%) per annum.

	2010 Rupees	2009 Rupees
23. SALES		
Yarn	1,108,827,954	683,240,397
Fabric	5,916,925	13,015,354
Waste	124,671,359	56,629,719
	1,239,416,238	752,885,470
Less: Brokerage, commission and discount	(2,014,513)	(1,169,691)
	1,237,401,725	751,715,779

	Note	2010 Rupees	2009 Rupees
24. COST OF GOODS SOLD			
Raw material consumed	24.1	707,670,177	354,167,958
Salaries, wages and benefits	24.2	87,587,871	70,369,990
Fuel and power		141,394,134	94,562,137
Packing material		14,729,755	12,149,689
Stores and spares		35,732,035	24,589,460
Repair and maintenance		3,395,878	2,014,726
Fabric processing cost		676,220	334,185
Insurance		5,020,026	5,212,863
Depreciation	14.2	59,752,647	60,337,466
Other manufacturing overheads		3,359,317	2,590,565
		351,647,883	272,161,081
		1,059,318,060	626,329,039
Work-in-process			
Opening stock		18,421,527	13,576,126
Closing stock		(16,460,324)	(18,421,527)
		1,961,203	(4,845,401)
Cost of goods manufactured		1,061,279,263	621,483,638
Finished goods			
Opening stock		133,628,056	147,544,852
Closing stock		(138,052,685)	(133,628,056)
		(4,424,629)	13,916,796
		1,056,854,634	635,400,434

24.1 Raw material consumed

	2010 Rupees	2009 Rupees
Opening stock	255,227,022	327,472,271
Purchases and purchase expenses	593,292,124	281,922,709
	848,519,146	609,394,980
Closing stock	(140,848,969)	(255,227,022)
	707,670,177	354,167,958

24.2 Salaries, wages and benefits includes Rs. 4.99 million (2009: Rs. 5.89 million) in respect of staff retirement benefits.

25. OTHER OPERATING INCOME

	Note	2010 Rupees	2009 Rupees
Income from financial assets			
Profit on deposits		2,076,248	1,950,267
Income from assets other than financial assets			
Operating profit on trading of raw material	25.1	11,300,056	28,612,621

	Note	2010 Rupees	2009 Rupees
Sale of scrap		755,540	1,347,927
Loss on sale of property, plant and equipment		-	(5,873)
Amortization of deferred income	8	2,590,866	4,814,887
liabilities written back		257,220	50,001
		16,979,930	36,769,830

25.1 Operating profit on trading of raw material

		2010 Rupees	2009 Rupees
Local sales		43,576,482	270,228,731
Export sales		26,591,013	59,780,922
		70,167,495	330,009,653
Less: Cost of sales		(58,867,439)	(301,397,032)
		11,300,056	28,612,621

26. DISTRIBUTION COST

		2010 Rupees	2009 Rupees
Freight and octroi		808,720	898,995
Clearing and forwarding		182,420	97,879
Commission and other charges		41,311	210,650
Export development surcharge		48,334	145,182
		1,080,785	1,352,706

27. ADMINISTRATIVE EXPENSES

	Note	2010 Rupees	2009 Rupees
Salaries and benefits	27.1	11,265,675	9,697,389
Traveling and conveyance		1,526,809	1,026,882
Printing and stationery		328,665	260,322
Postage and telephone		1,345,452	1,317,240
Electricity, gas and water		995,951	877,629
Legal and professional		182,000	264,700
Fees, subscription and periodicals		446,937	319,103
Rest house		184,150	148,193
Computer		8,090	11,050
Vehicles running and maintenance		1,220,418	913,691
Entertainment		491,111	29,396
Auditors' remuneration	27.2	696,000	367,533
Depreciation	14.2	6,227,916	7,119,542
Provision for doubtful debts	18	69,903	-
Advertisement		349,117	115,526
Donations	27.3	40,000	90,000
Repair and maintenance		29,000	109,316
Others		213,827	163,588
		25,621,021	22,831,004

27.1 Salaries and benefits includes Rs. 0.55 million (2009: Rs. 0.48 million) in respect of staff retirement benefits.

	Note	2010 Rupees	2009 Rupees
27.2 Auditors' remuneration			
Audit fee		500,000	225,000
Half year review fee		120,000	90,000
Other services		30,000	35,000
Out of pocket expenses		46,000	17,533
		696,000	367,533

27.3 No director or their spouse had any interest in the doneesldfu

28. OTHER OPERATING EXPENSES

		2010 Rupees	2009 Rupees
Workers' participation fund		**2,796,919**	-
Workers' welfare fund		**1,062,829**	-
Exchange loss		**2,489,519**	496,282
		6,349,267	496,282

29. FINANCE COST

	Note	2010 Rupees	2009 Rupees
Mark-up / interest on:			
Long-term finance	29.1	**15,777,201**	20,532,299
Short term borrowings		**81,546,144**	93,332,400
Finance lease arrangements		**8,213,245**	12,772,379
Morabaha finance		**5,235,221**	14,564,343
Workers' participation fund		-	388,148
Bank charges, commission and other		**1,625,513**	1,018,393
		112,397,324	142,607,962

29.1 It is netted off of markup subsidy of Rs. 1.76 million.

30. TAXATION

		2010 Rupees	2009 Rupees
Current		**(6,607,978)**	(3,063,413)
Prior years		**74,383**	49,669
Deferred		**(13,953,056)**	11,265,617
		(20,486,651)	8,251,873

Current

Current tax represents income tax under final tax regime, provided under section 154 and 169 of the Income Tax Ordinance, 2001. It also includes minimum tax @ 0.5% of turnover under section 113 of Income Tax Ordinance, 2001. Consequently, the relationship between tax expense and accounting profit has not been presented.

31. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company which is based on :-

		2010	2009
Profit / (loss) for the year	Rupees	31,591,973	(5,950,906)
Weighted average number of Ordinary shares outstanding during the year		18,048,000	18,048,000
Earnings per share	Rupees	1.75	(0.33)

32. NON-CASH TRANSACTIONS

Additions to property, plant and equipment during the year amounting to Rs. 0.549 million (2009: Rs. 37.015 million) were financed by new finance leases.

33. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, key management personnel and post employment contribution plan. Long term loans obtained from directors and associated undertaking and remuneration of executives are disclosed in note 6 and note 34 respectively. Other significant transaction with the related party is as follows:

	Note	2010 Rupees	2009 Rupees
Contribution to provident fund	27.1	554,044	481,053

34. REMUNERATION OF EXECUTIVES

	2010	2009
Remuneration	3,319,188	1,071,730
House rent allowance	1,377,072	404,697
Utilities	330,360	101,099
Retirement benefits	276,488	89,275
	5,303,108	1,666,801
Number of persons	6	2

The chief executive officer and directors of the Company have not taken any remuneration.

The chief executive officer, directors and some executives are provided with free use of Company maintained cars.

35. OPERATING SEGMENTS

For management purposes the business is organised as a single reportable operating segment and the Company's performance is evaluated on an overall basis based on single segment.

36. PLANT CAPACITY AND ACTUAL PRODUCTION

	2010	2009
Installed production capacity 20/s count - yarn in kgs.	14,795,745	14,795,745
Actual production during the year at 20/s count - yarn in Kgs.	12,744,852	11,761,725

It is difficult to describe precisely the production capacity and compare it with actual production in the textile industry since it fluctuates widely depending upon various factors such as count of yarn spun, spindles speeds, twist per inch, raw material used, etc.

37. FINANCIAL RISK MANAGEMENT

Financial instruments

The accounting policies for the financial instruments have been applied for line items below:

	Note	2010 Rupees	2009 Rupees
FINANCIAL ASSETS			
Long term deposits	15	11,921,948	33,121,094
Trade debts	18	381,852,484	268,811,794
Loans and advances	19	212,500	322,800
Other receivables	21	5,646,721	4,329,185
Cash and bank balances	22	46,076,582	30,780,991
FINANCIAL LIABILITIES			
Long-term financing			
- from banking companies	5	96,437,500	170,153,296
- from related parties	6	100,330,001	100,330,001
Liabilities against assets subject to finance lease	7	31,261,893	93,825,221
Trade and other payables	10	66,220,221	113,994,342
Interest / markup accrued	11	23,510,762	27,830,427
Short-term borrowings	12	529,734,267	514,506,216

The Company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. To assist the Board in discharging its oversight responsibility, the management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures.

37.1 The Company's principal financial instruments comprise long-term financing, liabilities against assets subject to finance lease, short-term borrowings, interest / markup accrued, trade and other payables, trade debts, loans and advances, other receivables, cash and bank balancesand deposits that arrive directly from operations.

The main financial risks that the company is exposed to and how they are managed are set out below:-

37.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk of the Company arises principally from the trade debts. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2010 Rupees	2009 Rupees
Long term deposits	11,921,948	33,121,094
Trade debts	381,852,484	268,811,794
Loans and advances	212,500	322,800
Other Receivables	5,646,721	4,329,185
Cash and bank balances	46,076,582	30,780,991

Long-term deposits mainly includes security deposit for assets subject to finance lease and is refundable at the end of the lease term as per registered lease agreement with the lessor. Credit risk relating to trade debts is explained in more detail in note 36.2.1. Loans and advances are due from employees and are provided to employees considering balance available to the employees in the retirement benefit plan. Other receivables consist of margin against letter of guarantees, cotton quality and weight claims, short and delayed shipment charges and profit on deposits. There has not been a significant change in the credit quality of these short-term receivables and the amounts will be recovered by the Company in due course.

Ratings of banks in which deposits are placed

Majority of bank balances are kept with National Bank of Pakistan, Habib Metropolitan Bank Limited, Bank Alfalah Limited and Soneri Bank Limited. The details of the credit ratings of the above mentioned banks are described below:

Name of Bank	Short term rating	Long term rating	Rating Agency
National Bank of Pakistan	A-1+	AAA	JCR-VIS
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
Bank Alfalah Limited	A1+	AA	PACRA
Soneri Bank Limited	A1+	AA-	PACRA

37.2.1 Credit risk related to receivables

To reduce the exposure of credit risk, management continuously monitors the credit exposure towards the customers, limits significant exposure to any individual customer and obtains advance from customers in certain cases. The Company is not significantly exposed to concentration of credit risk.

Aging of past due but not impaired trade debts are disclosed in note 18.4 to the financial statements.

37.3 Liquidity Risk Management

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier or difficulty in raising funds to meet commitments associated with the financial liabilities as they fall due. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

2010	Weighted average effective rate of Interest	Within one year	1 - 3 years	More than 3 years	Total
		Rupees			
Long-term financing					
- from banking companies	14.88%	60,100,000	36,337,500	-	96,437,500
- from related parties	-	-	100,330,001	-	100,330,001
Liabilities against assets subject to finance lease	15.88%	24,185,488	9,192,199	-	33,377,687
Trade and other payables	-	66,220,221	-	-	66,220,221
Interest / markup accrued	-	23,510,762	-	-	23,510,762
Short-term borrowings	15.42%	529,734,267	-	-	529,734,267
		703,750,738	145,859,700	-	849,610,438

2009	Weighted average effective rate of Interest	Within one year	1 - 3 years	More than 3 years	Total
		Rupees			
Long-term financing					
- from banking companies	16.92%	101,028,296	69,125,000	-	170,153,296
- from related parties	-	-	100,330,001	-	100,330,001
Liabilities against assets subject to finance lease	13.32%	70,390,623	32,571,903	-	102,962,526
Trade and other payables	-	113,994,342	-	-	113,994,342
Interest / markup accrued	-	27,830,427	-	-	27,830,427
Short-term borrowings	19.64%	514,506,216	-	-	514,506,216
		827,749,904	202,026,904	-	1,029,776,808

37.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest/markup rate risk and other price risk. The exposure to these risks and their management is explained below:

37.4.1 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However, as at the balance sheet date, the Company is not materially exposed to foreign currency risk on assets and liabilities, as it does not have significant foreign currency denominated receivables or payables balances.

37.4.2 Interest / markup rate risk

The interest / markup rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest / markup rates. The Company's exposure to risk of changes in market interest / markup rates relates primarily to the Company's long-term debt, finance lease obligations and short term borrowings with floating interest / markup rates. Further, the Company is exposed to fixed interest / markup bearing term deposit receipts. At the balance sheet date, the interest / markup rate profile of the Company's interest / markup bearing financial asset and liabilities is:

	2010 Rupees	2009 Rupees
Fixed rate instruments at carrying amount:		
Term deposit receipts	28,277,559	20,488,559
Variable rate instruments at carrying amount:		
Long-term financing	96,437,500	170,153,296
Liabilities against assets subject to finance lease	31,261,893	93,825,221
Short-term borrowings	529,734,267	514,506,216

37.4.3 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 rates at the reporting date would not affect profit and loss account.

37.4.4 Cash flow sensitivity analysis for variable rate instruments

At June 30, 2010, if interest rates on the Company's aforementioned borrowings had been higher / lower by 100 basis points with all other variables held constant, profit / (loss) for the year would have been higher / lower by Rs. 8.17 million (2009: Rs. 8.38 million). This analysis is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

37.4.5 Other price risk

Other price risk is 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 other price risk.

37.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

38. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The capital structure of the Company consists of share capital and reserves as well as debts of the Company. Share capital and reserves consist of share capital, and unappropriated profit. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares. The Company's overall strategy remains unchanged from 2009.

The Company is not subject to any externally imposed capital requirements.

39. NON - ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have proposed a final cash dividend for its minority shareholders of Re.1.00 per share for the year ended June 30, 2010, amounting to Rs. 5,374,620 in their meeting held on September 27, 2010 for approval by the members of the Company in the Annual General Meeting. The sponsors and directors have voluntarily waived their right of dividend. These financial statements do not reflect this cash dividend payable, as per the Company's accounting policy disclosed in note 2.21.

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on September 27, 2010.

41. GENERAL

All figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

NUMBER OF SHARE HOLDERS	SHARE HOLDING FROM	TO	TOTAL SHARES HELD
413	1	100	38,117
972	101	500	445,686
166	501	1000	161,700
152	1001	5000	414,431
31	5001	10000	262,012
15	10001	15000	191,012
24	15001	20000	460,799
9	20001	25000	207,850
7	25001	30000	204,002
9	30001	35000	291,799
4	35001	40000	160,000
5	40001	45000	207,900
2	45001	50000	100,000
6	50001	55000	310,516
6	55001	60000	357,200
4	60001	65000	256,912
2	65001	70000	138,150
23	70001	75000	1,721,412
35	75001	80000	2,789,408
3	80001	85000	246,386
1	85001	90000	85,500
1	95001	100000	100,000
1	115001	120000	118,500
1	120001	125000	121,400
1	125001	130000	125,900
1	135001	140000	139,976
1	160001	165000	165,000
1	175001	180000	178,522
1	245001	250000	247,000
2	295001	300000	599,376
1	310001	315000	314,500
1	360001	365000	364,980
1	375001	380000	375,588
1	400001	405000	405,000
1	465001	470000	468,000
1	610001	615000	611,700
1	635001	640000	635,588
1	655001	660000	655,588
1	695001	700000	695,002
1	770001	775000	771,000
1	860001	865000	860,588
1	1040001	1045000	1,044,000
1911			18,048,000

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTA GE
Associated Companies, Undertaking	2	1,344,000	7.45
Directors, CFO & their Spouse & Children	10	5,155,332	28.56
Other Sponsors	93	6,174,048	34.21
Joint Stock Companies	11	168,226	0.93
Bank, Development Finance Institutions			-
Insurance Companies, Modarabas			-
and Mutual Fund	05	5,900	0.03
Shareholders Holding ten percent or more			-
voting interest in the Company	-	-	
Individuals	1790	5,200,494	28.81
	1911	18,048,000	100.00

Categories of Shareholders	Number	Shares Held	Percentage
Associated Companies, Undertaking and Related Parties	2		
Shama Enterprise (Pvt) Ltd.		1,044,000	5.79
Bilal Omair Textile Mills (Pvt) Ltd.		300,000	1.66
Directors, CFO & their Spouse and Minor Children	10		
Mr. S. M. Idrees Allawala		468,000	2.59
Mr. Mansoor Idrees Allawala		1,033,000	5.72
Mr. Imran Idrees Allawala		676,088	3.75
Mr. Kamran Idrees Allawala		655,588	3.63
Mr. Naeem Idrees Allawala		860,588	4.77
Mr. Muhammad Israil		2,000	0.01
Mrs. Saba Kamran		375,588	2.08
Mrs. Naseema Bagum W/o S. M. Idrees Allawala		314,500	1.74
Mrs. Ambreen Mansoor W/o Mansoor Idrees Allawala		364,980	2.02
Mrs. Aisha Imran W/o Imran Idrees Allawala		405,000	2.25
Other Sponsors	93	6,174,048	34.21
Executive	-		
Joint Stock Companies	11	168,226	0.93
NIT & ICP	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds	5	5,900	0.03
Shareholders Holding ten percent or more voting interest in the Company	-	-	
Individuals	1,790	5,200,494	28.81
	1,911	18,048,000	100.00