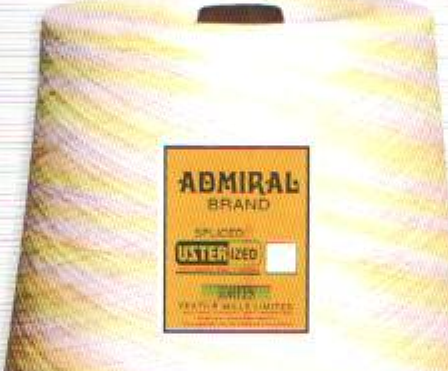
IDREES

TEXTILE MILLS LIMITED

Annual Report 2011



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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
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,
Karachi

MILLS
Kot Shah Mohammad,
Tehsil Nankana,
District Nankana,
Punjab.

Notice is hereby given that the 22nd Annual General Meeting of the Shareholders of Idrees Textile Mills Ltd. will be held on Saturday, October 29, 2011 at 12.30 P.M at Sadabahar Lawn, Kokan Society, Hyder Ali Road, Karachi-5 to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting held on October 29, 2010.
2. To receive, consider and adopt Reports of Directors and Auditors together with Audited financial statements of the company for the year ended June 30, 2011.
3. To appoint Auditors for the year ending June 30, 2012 and fix their remuneration. The retiring auditor M/s M. Yousuf Adil Saleem & Company, Chartered Accountants, being eligible, offer themselves for re-appointment.
4. To elect seven Directors of the Company as fixed by the Board in accordance with the provisions of section 178 (1) of the Companies Ordinance, 1984 for a term of three years. The name of the retiring Directors are as under:

1.	Mr. S. M. Idrees Allawala	2.	Mr. Mansoor Idrees Allawala
3.	Mr. Imran Idrees Allawala	4.	Mr. Kamran Idrees Allawala
5.	Mr. Naeem Idrees Allawala	6.	Mr. Muhammad Israil
7.	Mrs. Saba Kamran		

   The retiring Directors are eligible for re-election.
5. To approve cash dividend @10% to minority shareholders, as recommended by the Board of Directors.
6. To transact any other business that may be placed before the meeting with the permission of the Chairman.

By order of the Board

Karachi
Dated : September 27, 2011

SYED SHAHID SULTAN
Company Secretary

Notes:

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

(ii) Share Transfer Books of the Company will remain closed from October 26, 2011 to November 3, 2011 (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) Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original CNIC or Passport to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his / her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.

(v) Any person who seeks to contest the election of Director shall file with the Company at its Registered office, not later than fourteen days before the date of meeting, the following:

   (a) a notice of his/her intention to offer himself/herself for election as a Director ;

   (b) a declaration (copy may be obtained from Registered Office) on the matters required by the Code of Corporate Governance:

(vi) An instrument of proxy under which it is signed, 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 the Meeting.

(vii) Members are requested to provide by mail or fax, photocopy of their CNIC or passport (in case of foreigner), unless it has been provided earlier, enabling the Company to comply with relevant laws.

The Directors of your Company have pleasure in presenting before you the 22[st] Annual Report of the Company together with the audited financial statements for the year ended June 30, 2011.

FINANCIAL AND OPERATIONAL RESULTS

During the year under review the Company achieved sales volume of Rs. 1.203 billion as compared to Rs. 1.237 billion during the last year. The gross profit for the year amounted to Rs. 160.159 million compared to Rs.180.547 million during the previous year while the net profit after tax for the year amounted to Rs. 52.059 million compared to net profit after tax amounting to Rs. 31.592 million for the corresponding period of last year. The increase in net profit is mainly due to volatility in the cotton prices witnessed during the current year. The Company has also been able to reduce its finance cost by 14.65% to Rs. 95.933 million (June 2010: Rs. 112.397 million). Despite the aftermath of the global financial crises and the worst floods in the history of the country, the management focused on growth, seeking opportunities and strengthening marketing function.

DIVIDEND

The Directors of the Company are pleased to recommend cash dividend @10% (2010: 10%) i.e. Re.1.00 (Rupee One only) for each share of Rs.10/- to be paid to the minority shareholders.

FUTURE OUTLOOK

The recent sharp decline in the value of Pak Rupee against the US Dollar will increase the cost of raw material and other associated costs. This may further enhance the already high cost of doing business. Due to the recent floods in Sindh, Pakistan may miss the cotton production target. The floods have caused huge losses to Pakistan's economy. In addition, severe and increasing shortage of electricity and gas for power generation remains a drag on the growth of textile sector.

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 2011-2012. The audit committee in its meeting held on September 26, 2011 has recommended appointment of the retiring auditors.

EARNING PER SHARE

The earnings per share for the year under review worked out to Rs. 2.88 as compared to profit per share of Rs.1.75 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.4,527,063/- (2009: Rs.3,694,560) as per audited financial statements of the Fund as on June 30, 2010

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, six Board of Directors meetings were held and attended as follows:

Name of Director	No. of Meetings Attended
Mr. S. M. Idrees Allawala	6
Mr. Imran Idrees Allawala	6
Mr. Mansoor Idrees Allawala	6
Mr. Kamran Idrees Allawala	6
Mr. Naeem Idrees Allawala	6
Mr. Muhammad Israil	6
Mrs. Saba Kamran	6

(k) The statement of pattern of shareholding of the Company as at June 30, 2011 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	168,412
Mr. Kamran Idrees Allawala	160,000
Mr. Naeem Idrees Allawala	253,640

ACKNOWLEDGEMENT

The directors wish to thank the bankers of the Company for their support and 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

Karachi
September 27, 2011

S.M. IDREES ALLAWALA
Chairman/Director

	2006	2007	2008	2009	2010	2011
Sales	509,633,593	613,280,389	864,805,318	751,715,779	1,237,401,725	1,203,111,500
Cost of goods sold	(410,717,990)	(496,240,947)	(710,127,712)	(635,400,434)	(1,056,854,634)	(1,042,952,530)
Gross Profit	98,915,603	117,039,442	154,677,606	116,315,345	180,547,091	160,158,970
Other operating income	13,855,416	10,637,996	6,778,107	36,769,830	16,979,390	83,003,886
	112,771,019	127,677,438	161,455,713	153,085,175	197,527,021	243,162,856
Distribution Cost	(3,400,620)	(3,678,410)	(3,251,543)	(1,352,706)	(1,080,785)	(3,063,407)
Administration expenses	(19,601,938)	(24,003,108)	(36,443,279)	(22,831,004)	(25,621,021)	(32,468,721)
Other operating expenses	(3,724,114)	(4,806,715)	(4,725,240)	(496,282)	(6,349,267)	(20,242,315)
Finance cost	(60,490,469)	(68,859,966)	(90,925,540)	(142,607,962)	(112,397,324)	(95,932,992)
	(87,217,141)	(101,348,199)	(135,345,602)	(167,287,954)	(145,448,397)	151,707,435
Profit/ (Loss) before taxation	25,553,878	26,329,239	26,110,111	(14,202,779)	52,078,624	91,455,421
Taxation	6,291,557	(5,201,399)	(19,442,721)	8,251,873	(20,486,651)	(39,396,035)
	31,845,435	21,127,840	6,667,390	(5,950,906)	31,591,973	52,059,386
Other Comprehensive income for the year	-	-	-	-	-	-
Profit/ (Loss) after taxation	31,845,435	21,127,840	6,667,390	(5,950,906)	31,591,973	52,059,386
Earning / (Loss) per share	1.76	1.17	0.37	(0.33)	1.75	2.88

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 on its Board of Directors. At present the Board comprises of seven Directors out of which three are 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 of Directors has developed a vision / mission statement, over all corporate strategy and significant policies of the Company. 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 determination of remuneration and terms and conditions of employment of chief executive officer (CEO) and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter during the year. Written notices of the meetings, along with agenda and working papers were circulated at least seven days before the meeting. 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 Chief Financial Officer (CFO), Company Secretary or Head of Internal Audit has been made during the year.

11. The directors' report of the Company for the year ended June 30, 2011 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 the CEO and CFO of the Company 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 the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises of three members out 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. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function. The Staff of internal audit department is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

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 the 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 transaction except contribution to provident fund.

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
Dated: September 27, 2011

IMRAN IDREES ALLAWALA
Chief Executive Officer

We have reviewed the Statement of Compliance with the best practice contained in the Code of Corporate Governance prepared by the Board of Directors of **IDRESS TEXTILE MILLS LIMITED** ("the Company") to comply with the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, 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's 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 control and the effectiveness of such internal controls.

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 under taken 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 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, 2011.

Chartered Accountants

Place: Karachi
Date: September 27, 2011

We have audited the annexed balance sheet of **IDREES TEXTILE MILLS LIMITED** (the Company) as at June 30, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

   ii) the expenditure incurred during the year was for the purpose of the Company's business and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company:

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, 2011 and of the profit, its cash flow and changes in equity for the year then ended: and

d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the central Zakat Fund established under section 7 of that ordinance.

Chartered Accountants

Engagement Patner:
Mushtaq Ali Hirani
M. Yousuf Adil Saleem & Co.
A member firm of
Deloitte Touche Tohmatsu

Karachi
Date: September 27, 2011

	Note	2011 Rupees	2010 Rupees
SHARE CAPITAL AND RESERVES			
Share capital	3	180,480,000	180,480,000
Unappropriated profit		237,738,616	167,600,128
		418,218,616	348,080,128
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	4	354,972,989	378,426,711
NON-CURRENT LIABILITIES			
Long-term finance			
From banking companies	5	12,037,500	36,337,500
From related parties	6	100,330,001	100,330,001
		112,367,501	136,667,501
Liabilities against assets subject to finance lease	7	5,277,949	9,055,529
Deferred liabilities	8	280,800,013	255,342,018
CURRENT LIABILITIES			
Trade and other payables	9	63,785,685	67,749,720
Interest / mark-up accrued	10	18,236,512	23,510,762
Short term borrowings	11	368,696,933	529,734,267
Current portion of			
long-term finance	5	30,500,000	60,100,000
liabilities against assets subject to finance lease	7	11,164,471	22,206,364
Provision for taxation		17,011,631	6,414,964
		509,395,232	709,716,077
CONTINGENCIES AND COMMITMENTS	12		
		1,681,032,300	1,837,287,964

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

	Note	2011 Rupees	2010 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	13	997,894,016	1,052,406,849
Long-term deposits	14	3,134,028	7,481,693
		1,001,028,044	1,059,888,542
CURRENT ASSETS			
Stores, spares and loose tools	15	30,742,932	23,820,415
Stock-in-trade	16	199,801,013	300,599,685
Trade debts	17	354,986,513	381,852,484
Loans and advances	18	38,812,787	7,921,513
Deposits and short term prepayments	19	6,248,964	5,121,292
Other receivables	20	10,734,246	12,007,451
Cash and bank balances	21	38,677,801	46,076,582
		680,004,256	777,399,422
		1,681,032,300	1,837,287,964

CHIEF EXECUTIVE OFFICER

DIRECTOR

	Note	2011 Rupees	2010 Rupees
Sales	22	1,203,111,500	1,237,401,725
Cost of goods sold	23	(1,042,952,530)	(1,056,854,634)
Gross profit		160,158,970	180,547,091
Distribution cost	24	3,063,407	1,080,785
Administrative expenses	25	32,468,721	25,621,021
Other operating expenses	26	20,242,315	6,349,267
Finance cost	27	95,932,992	112,397,324
Other operating income	28	(83,003,886)	(16,979,930)
		68,703,549	128,468,467
Profit before taxation		91,455,421	52,078,624
Taxation	29	(39,396,035)	(20,486,651)
Profit after taxation		52,059,386	31,591,973
Other comprehensive income for the year		-	-
Total comprehensive income for the year		52,059,386	31,591,973
Earnings per share - basic and diluted	30	2.88	1.75

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

	2011 Rupees	2010 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	91,455,421	52,078,624
Adjustments for :		
Depreciation	74,689,221	65,980,563
Deferred income	-	(2,590,866)
Provision for staff retirement gratuity	5,371,486	4,990,671
Liabilities written back	(4,500,000)	(257,220)
Provision for staff retirement gratuity	1,694,310	-
Bad debts written off against provision	264,483	
Finance cost	95,932,992	112,397,324
Gain on sale of property, plant and equipment	(58,263)	-
	264,849,650	232,599,096
(Increase) / decrease in current assets		
Stores, spares and loose tools	(6,922,517)	(3,991,646)
Stock-in-trade	100,798,672	189,490,005
Trade debts	25,171,661	(113,040,690)
Loans and advances	(23,707,101)	1,198,969
Deposits and short-term prepayments	(66,427)	56,619
Other receivables	1,273,205	(3,718,855)
Decrease in current liabilities		
Trade and other payables	700,335	(54,051,418)
	97,247,828	15,942,984
Cash generated from operations	362,097,478	248,542,080
Finance cost paid	(101,207,242)	(116,716,989)
Staff retirement gratuity paid	(2,297,896)	(3,887,206)
Income tax paid	(13,599,137)	(5,043,549)
Net cash generated from operating activities	244,993,203	122,894,336
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(12,166,645)	(7,231,118)
Proceed from disposal of property, plant and equipment	658,021	37,000
Long-term deposits	3,286,420	21,199,146
Net cash (used in) / generated from investing activities	(8,222,204)	14,005,028
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finance	(53,900,000)	(73,715,796)
Repayment of finance lease liability	(23,428,973)	(63,112,328)
Dividend paid	(5,803,473)	(3,700)
Net cash used in financing activities	(83,132,446)	(136,831,824)
Net increase in cash and cash equivalent (A+B+C)	153,638,553	67,540
Cash and cash equivalents at beginning of the year	(483,657,685)	(483,725,225)
Cash and cash equivalents at end of the year	(330,019,132)	(483,657,685)
Cash and cash equivalents include:		
Cash and bank balances	38,677,801	46,076,582
Running finance	(262,237,633)	(320,050,253)
Cash finance	(106,459,300)	(209,684,014)
	(330,019,132)	(483,657,685)

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

	Issued, subscribed and paid-up Capital	Unappropriated profit	Total
	……..……………... Rupees ………………...		
Balance at July 01, 2009	180,480,000	126,152,386	306,632,386
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
Comprehensive Income			
Profit for the year ended June 30, 2010	-	31,591,973	31,591,973
Other comprehensive income - net of tax	-	-	-
	-	31,591,973	31,591,973
Balance at June 30, 2010	180,480,000	167,600,128	348,080,128
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	23,453,722	23,453,722
Transactions with owners			
Final cash dividend for the year ended June 30, 2010 @ Re 1/- per share to minority shareholders	-	(5,374,620)	(5,374,620)
Comprehensive Income			
Profit for the year ended June 30, 2011	-	52,059,386	52,059,386
Other comprehensive income - net of tax	-	-	-
	-	52,059,386	52,059,386
Balance at June 30, 2011	180,480,000	237,738,616	418,218,616

The annexed notes from 1 to 40 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 the 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 Standards, interpretation and amendment adopted during the year

In the current period, the Company has adopted all new amendments issued by 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, 2010.

Amendments to IFRS 2 - Share based Payment

Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

Amendments to IFRS 8 - Operating Segments

Amendments to IAS 1 - Presentation of Financial Statements

Amendments to IAS 7 - Statement of Cash Flows

Amendments to IAS 17 - Leases

Amendments to IAS 32 - Financial Instruments: Presentation

Amendments to IAS 36 - Impairment of assets

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The adoption of new standards, interpretation and amendments/improvements did not have any effect on the Company's financial statements.

2.3 New, revised and amended standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2011. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements;

Standards	Effective dates (accounting period beginning on or after)
IFRS 7 - Financial Instruments Disclosures (Amendment)	January 01, 2011
IFRS 7 - Financial Instruments Disclosures (Amendment)	July 01, 2011
IAS 1 - Presentation of Financial Statements (Amendment)	January 01, 2011
IAS 1 - Presentation of Financial Statements (Amendment)	July 01, 2012
IAS 12 – Income Taxes (Amendment)	January 01, 2012
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IAS 34 - Interim Financial Reporting (Amendment)	January 01, 2011
IFRIC 13 - Customer Loyalty Programmes (Amendment)	January 01, 2011
IFRIC 14 - Prepayment of Minimum Funding Requirement	January 01, 2011
IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendment)	January 01, 2011

2.4 Basis of preparation

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

2.5 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 amortised 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.

2.6 Taxation

Current

The charge for current taxation is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 recognised for all deductible temporary differences and carry forward 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 utilised.

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

2.7 Property, plant and equipment

Owned

Property, plant and equipment except office equipment, furniture and fixtures, vehicles and capital work-in-progress are stared at revalued amounts less accumulated depreciation and impairment, if any, Officer equipment, furniture and fixtures and vehicles are stated at cost less accumulated depreciation and capital work-in-progress is stated at cost less impairment, if any, Depreciation is charged to income applying the straight line method over is estimated useful life at the rates specified in note 13.1.

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.

Gains or losses on disposal of assets, if any, are recognised 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 capitalised.

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 avai lable 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.

2.8 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 recognised 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 capitalised 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 amortised over the lease term of the assets.

2.9 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.

2.10 Stock-in-trade

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

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

Net realisable value (NRV) represents the estimated selling price at which the inventories can be realised in the normal course of business after allowing for the cost of conversion from their existing state to finished condition and for the estimated cost necessary to make the sale.

Where NRV charge subsequently reverses, the carrying value of the inventory is also increased to the extent that the revised carrying value does not exceed the amount that would have been determined had no NRV charge been recognised. A reversal of NRV is recognised in the profit and loss account.

2.11 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised 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.

2.12 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.

2.13 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised 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.

2.14 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 recognised amounts and there is an intention either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2.15 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 recognised 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. Where an impairment loss subsequently reverse, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that increased carrying amount dose not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately is profit or loss, unless the relevant assets is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.16 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 recognised in profit and loss account in the period in which they are incurred.

2.17 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.

2.18 Provisions

Provisions are recognised 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.

2.19 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in the normal course of business. The following specific recognition criteria must also be met before revenue is recognised:

Sales of goods

Revenue from the sale of goods, net off returns and trade discounts is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

2.20 Dividend distribution

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

2.21 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 finance and book overdraft, if any.

2.22 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 recognised 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 2.5 and 8.2)
- Useful life and residual value of property, plant and equipment (note 2.7 and 13)
- Other provisions (note 2.9, 2.10, 2.11, 2.15, 2.18, 9, 15, 17, 20)
- Provision for taxation (note 2.6, 8.1, 29)

3. SHARE CAPITAL

2011	2010		2011	2010
Number of shares			Rupees	Rupees
		Authorized		
22,000,000	22,000,000	Ordinary shares of Rs. 10/- each	220,000,000	220,000,000
		Issued, subscribed and paid up		
18,048,000	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 following associates of the Company at balance sheet date:

	2011	2010
	Number of ordinary shares of Rs. 10 each	
Shama Enterprises (Private) Limited	374,000	1,044,000
Bilal Omair Textile Mills (Private) Limited	300,000	300,000
	674,000	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.

	2011 Rupees	2010 Rupees
Surplus on revaluation of property, plant and equipment at July 01,	556,640,729	416,549,170
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	(23,453,722)	(9,855,769)
- related deferred tax liability	(12,145,865)	(5,103,959)
	(35,599,587)	(14,959,728)
Surplus on revaluation of property, plant and equipment at June 30,	521,041,142	556,640,729
Related deferred tax liability:		
Revaluation at beginning of the year	178,214,018	121,356,670
Adjustment due to income subject to final tax regime	-	9,060,920
Transferred to profit and loss account on account of		
- incremental depreciation - net of deferred tax	(12,145,865)	(5,103,959)
Effect of revaluation carried out during the year	-	52,900,387
	166,068,153	178,214,018
	354,972,989	378,426,711

	Note	2011 Rupees	2010 Rupees
5. LONG-TERM FINANCE - From Banking Companies			
Secured			
Term finance	5.1	36,337,500	86,637,500
Frozen markup	5.2	6,200,000	9,800,000
		42,537,500	96,437,500
Current Portion			
Term finance		(24,300,000)	(50,300,000)
Frozen markup		(6,200,000)	(9,800,000)
		(30,500,000)	(60,100,000)
		12,037,500	36,337,500

5.1 The term finance is subject to markup at the rate of 6 months KIBOR plus 2.5% (2010: 6 months KIBOR plus 2.5%) per annum payable quarterly. The facility is repayable in 1.5 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 14.85% to 16.14% (2010: 14.65%).

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

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

	Note	2011 Rupees	2010 Rupees
6 months or less		36,337,500	86,637,500

6. LONG-TERM FINANCE - From Related Parties

	Note	2011 Rupees	2010 Rupees
Unsecured	6.1	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 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:-

	2011		2010	
	Minimum lease *payments*	Present Value	Minimum lease *payments*	Present Value
	..........Rupees..........			
Within one year	12,285,678	11,164,471	24,185,488	22,206,364
After one year but not more than five years	5,848,659	5,277,949	9,192,199	9,055,529
Total minimum lease payments	18,134,337	16,442,420	33,377,687	31,261,893
Less: Amount representing finance charges	(1,691,917)	-	(2,115,794)	-
Present value of minimum lease payments	16,442,420	16,442,420	31,261,893	31,261,893
Less: Current portion	(11,164,471)	(11,164,471)	(22,206,364)	(22,206,364)
	5,277,949	5,277,949	9,055,529	9,055,529

7.1 The rates of markup ranges from 15.27% to 19% (2010: 14.99% to 19.95%) per annum and are used as discounting factor. The lease terms are 3 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:

	Notes	2011 Rupees	2010 Rupees
6 months or less		16,442,420	31,261,893

8. *DEFERRED LIABILITIES*

	Notes	2011 Rupees	2010 Rupees
Deferred taxation	8.1	266,310,024	243,925,619
Staff retirement gratuity	8.2	14,489,989	11,416,399
		280,800,013	255,342,018

8.1 Deferred taxation

	2011 Rupees	2010 Rupees
Opening balance	243,925,619	168,011,256
Recognised in Profit and Loss Account	22,384,405	13,953,056
Recognised in surplus on revaluation of assets	–	61,961,307
Closing balance	266,310,024	243,925,619

This comprises of the following:

	2011 Rupees	2010 Rupees
Deferred tax liability on taxable temporary differences arising in respect of:		
- property, plant and equipment	114,955,804	111,468,898
- surplus on revaluation of property, plant and equipment	166,068,153	178,214,018
	281,023,957	289,682,916
Deferred tax asset on deductible temporary difference arising in respect of:		
- trade debts	746,191	77,890
- stores and spares	53,422	53,422
- other receivables	1,089,660	2,624,970
- staff retirement gratuity	4,943,694	3,895,046
- Minimum turnover tax	7,880,966	-
- assessed tax losses brought forward	-	39,105,969
	(14,713,933)	(45,757,297)
	266,310,024	243,925,619

Deferred tax represents the management best estimate of the probable benefits expected to be realised and probable cost expected to be paid in future years.

	Notes	2011 Rupees	2010 Rupees
8.2 Staff retirement gratuity			
Mills	*8.2.1*	14,137,340	11,053,500
Head office	*8.2.2*	352,649	362,899
		14,489,989	11,416,399

8.2.1 Mills - Defined benefit plan

(a) Charge for the year

	2011	2010
Current service cost	4,262,505	3,805,806
Interest cost	1,167,520	1,184,865
Actuarial gain	(58,539)	-
	5,371,486	4,990,671

(b) Movement in liability

	2011	2010
Balance at July 01,	11,053,500	9,873,875
Charge for the year	5,371,486	4,990,671
Paid during the year	(2,287,646)	(3,811,046)
Balance as at June 30,	14,137,340	11,053,500

(c) The principal assumptions used are as follows:

	2011	2010
Discount rate (per annum)	12%	12%
Expected rate of salary increase (per annum)	11%	11%

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

	2011	2010	2009	2008	2007
			....Rupees....		
Actuarial net liability	14,137,340	11,053,500	9,873,875	6,551,114	5,479,141
Present value of the defined benefit obligation	14,137,340	11,053,500	9,873,875	6,551,114	5,479,141

	Notes	2011 Rupees	2010 Rupees
8.2.2 Head office - Defined benefit plan			
Balance at July 01,		362,899	439,059
Paid during the year		(10,250)	(76,160)
Balance at July 30,	8.2.2.1	352,649	362,899

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

9. TRADE AND OTHER PAYABLES

	Notes	2011 Rupees	2010 Rupees
Creditors		9,474,835	8,959,985
Accrued liabilities		23,983,235	45,337,496
Advance from customers		5,487,325	1,529,499
Workers' profit participation fund	9.2	5,970,689	2,796,919
Workers' welfare fund		4,231,697	2,109,807
Unclaimed dividend		1,926,739	2,355,592
Infrastructure cess	9.3	12,517,167	-
Provident fund		167,269	149,712
Others		26,729	4,510,710
		63,785,685	67,749,720

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

9.2 Workers' participation fund

	2011 Rupees	2010 Rupees
Balance at July 01,	2,796,919	-
Allocation during the year	5,603,258	2,796,919
Interest on fund utilised in Company's business	367,431	-
	8,767,608	2,796,919
Paid during the year	(2,796,919)	-
Balance at June 30,	5,970,689	2,796,919

9.3 Excise and tax department has levied Sindh Development and Infrastructure Fee and Duty on goods entering or leaving the province through air or sea at prescribed rate under Sindh Finance Ordinance, 2001. The levy was challenged by the Company along with other companies in the High Court of Sindh whereas import consignments are released on bank guarantees. However, during the year, a compromise settlement between the Company (Petitioner) and Province of Sindh and Director General of Excise & Taxation department (Respondents) has been finalized and a joint statement signed by the Petitioner and the Respondents has been filed to the High Court of Sindh. This statement is considered as the order of the Court according to which for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee would be paid in cash and a bank guarantee for the remaining amount would be submitted until the final order is passed. This settlement is a purely an interim arrangement and is subject to any final order be passed by the High Court of Sindh. Based on the said order, the Directorate of Excise & Tax ation has raised a demand of Rs 12,517,167.

However, as a matter of prudence, the Company has made provision of the above mentioned amount of Rs. 12,517,167 in its books of accounts.

10. INTEREST / MARK-UP ACCCRUED

	2011 Rupees	2010 Rupees
Long-term finance	1,594,726	3,525,048
Short-term borrowings	16,641,786	19,985,714
	18,236,512	23,510,762

	Notes	2011 Rupees	2010 Rupees
11. SHORT-TERM BORROWINGS			
From banking companies-secured	11.1		
Running finances	11.2	262,237,633	320,050,253
Cash finances	11.3	106,459,300	209,684,014
		368,696,933	529,734,267

11.1 The aggregate unavailed short-term borrowing facilities amounted to Rs. 278.3 (2010: Rs. 87.27) million.

11.2 These are secured against various assets including first pari passu hypothecation charge over present and future stock-in-trade, first hypothecation charge over present and future book debts, ranking charge on the stocks and receivables of the Company 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% (2010: KIBOR plus 2% to 4%) per annum payable quarterly. The effective interest rate for running finance facilities was 14.79% to 17.52% (2010: 14.54%) per annum.

11.3 These are secured against pledge of cotton, viscose fiber, first hypothecation charge on stock-in-trade and second charge on book debts, 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% (2010: KIBOR plus 2 to 2.5%) per annum payable quarterly. The effective interest rate for cash finance facilities was 14.29% to 15.52% (2010: 16.76%) per annum.

11.4 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	2011 Rupees	2010 Rupees
6 months or less		368,696,933	529,734,267

12. CONTINGENCIES AND COMMITMENTS

12.1 *Contingencies*

Letters of guarantee issued by banks on behalf of the Company	55,774,568	52,824,568

12.2 Commitments

Letters of credit - import of		
- raw material	12,900,000	-
- stores and spares	51,093,632	-
Capital commitment	-	90,000

13. PROPERTY, PLANT AND EQUIPMENT

	Notes	2011 Rupees	2010 Rupees
Operating assets	13.1	993,185,385	1,047,788,218
Capital work-in-progress	13.5	4,708,631	4,618,631
		997,894,016	1,052,406,849

13.1 Operating Assets

Particulars	Cost/revaluation at July 01, 2010	Additions/ (disposal)	Transfer **	Cost/revaluation at June 30, 2011	Accumulated Depreciation at July 01, 2010	Depreciation/ (adjustment) for the year	Transfer **	Accumulated depreciation at June 30, 2011	Carrying value at June 30, 2011	Dep. rate %
					Rupees					
Owned assets										
Land - freehold	43,067,188	-	-	43,067,188	-	-	-	-	43,067,188	-
Mills building on freehold land	202,279,839	-	-	202,279,839	32,316,338	10,113,992	-	42,430,330	159,849,509	5
Labour colony	21,580,200	-	-	21,580,200	3,243,200	1,079,010	-	4,322,210	17,257,990	5
Plant and machinery	976,435,246	10,997,414	33,898,294	1,021,330,954	284,849,196	49,920,958	5,889,280	340,659,434	680,671,520	5
Electric installations	66,027,363	-	-	66,027,363	21,972,364	3,301,368	-	25,273,732	40,753,631	5
Mills equipment	13,324,521	395,000	-	13,719,521	2,983,371	246,174	-	3,229,545	10,489,976	5
Office equipment	7,960,915	472,471	-	8,433,386	7,764,248	104,757	-	7,869,005	564,381	10
Furniture and fixtures	3,594,062	-	-	3,594,062	2,914,808	359,406	-	3,274,214	319,848	10
Vehicles	23,438,326	211,760	5,084,473	27,574,559	19,264,059	5,093,216	2,990,858	26,787,890	786,669	20
		(1,160,000)				(560,243)				
	1,357,707,660	12,076,645	38,982,767	1,407,607,072	375,307,584	70,218,881	8,880,138	453,846,360	953,760,712	
		(1,160,000)				(560,243)				
Leased assets										
Plant and machinery	69,898,294	-	(33,898,294)	36,000,000	7,623,294	2,658,220	(5,889,280)	4,392,234	31,607,766	5
Vehicles	6,648,473	8,609,500	(5,084,473)	10,173,500	3,535,331	1,812,120	(2,990,858)	2,356,593	7,816,907	20
	76,546,767	8,609,500	(38,982,767)	46,173,500	11,158,625	4,470,340	(8,880,138)	6,748,827	39,424,673	
	1,434,254,427	20,686,145	-	1,453,780,572	386,466,209	74,689,221	-	460,595,187	993,185,385	
		(1,160,000)				(560,243)				

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

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

13.1.1 Assets which are fully depreciated having a cost of Rs. 7,204,679/- (2010: Nil)

For comparative period

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) for the year	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	-
Mills 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
Mills 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	2,255,000	-	23,438,326	13,677,907	4,236,567	1,353,000	19,264,059	4,174,267	20
		(40,415)					(3,415)				
	1,101,867,544	5,925,419	89,484,046	160,471,066	1,357,707,660	301,307,215	58,205,635	15,798,149	375,307,584	982,400,076	
		(40,415)					(3,415)				
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	-	155,051,287	1,434,254,427	320,489,061	65,980,563	-	386,466,209	1,047,788,218	
		(40,415)					(3,415)				

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

	Note	2011 Rupees	2010 Rupees
13.2 Depreciation for the year has been allocated as under:			
Cost of goods sold	23	67,319,723	59,752,647
Administrative expenses	25	7,369,498	6,227,916
		74,689,221	65,980,563

13.3 The following asset was disposed off during the year:

Mode of disposal-insurance claim

Description	Cost/ Revaluation	Accumulated Depreciation	Carrying value	Insurance claim	Particulars
	---Rupees---				
Vehicle	1,160,000	560,243	599,757	658,020	Askari General Insurance Company Limited 4th Floor, AWT Plaza, The Mall, Rawalpindi.
	1,160,000	560,243	599,757	658,020	
2010	40,415	3,415	37,000	37,000	

13.4 Had there been no revaluation, the related figures of operating assets as at June 30, 2011 would have been as

	2011 Cost	2011 Accumulated Depreciation	2011 Carrying Value	2010 Cost	2010 Accumulated Depreciation	2010 Carrying Value
	---Rupees---					
Land-freehold	8,772,600	-	8,772,600	8,772,600	-	8,772,600
Mills building on freehold land	133,655,055	(67,818,467)	65,836,588	133,655,055	(61,135,715)	72,519,340
Labour colony	15,134,513	(13,092,867)	2,041,646	15,134,513	(12,336,142)	2,798,371
Plant and machinery	825,316,683	(472,069,967)	353,246,716	814,319,268	(430,511,959)	383,807,309
Electric installations	44,499,062	(14,352,837)	30,146,225	44,499,062	(12,127,884)	32,371,178
Mills equipment	5,985,977	(3,116,163)	2,869,814	5,590,977	(2,828,385)	2,762,592
	1,033,363,890	(570,450,301)	462,913,589	1,021,971,475	(518,940,085)	503,031,390

	Note	2011 Rupees	2010 Rupees
13.5 CAPITAL WORK-IN-PROGRESS			
Civil work		3,568,631	3,568,631
Plant and machinery		1,140,000	1,050,000
		4,708,631	4,618,631

14. LONG-TERM DEPOSITS

	Note	2011 Rupees	2010 Rupees
Deposits			
- lease		6,653,175	9,996,655
- others		1,982,353	1,925,293
	19	8,635,528	11,921,948
Less: Current portion		(5,501,500)	(4,440,255)
		3,134,028	7,481,693

	Note	2011 Rupees	2010 Rupees
15. STORES, SPARES AND LOOSE TOOLS			
Stores		8,081,550	8,282,137
Spares		14,204,537	10,149,443
Stores and spares in transit		8,548,840	5,480,831
Loose tools		64,585	64,584
		30,899,512	23,976,995
Less: Provision for slow-moving items		(156,580)	(156,580)
		30,742,932	23,820,415
16. STOCK-IN-TRADE			
Raw material - in hand		67,860,810	140,848,969
- in transit		-	5,237,707
Work in process		25,536,166	16,460,324
Finished goods		103,492,870	135,818,849
Waste		2,911,167	2,233,836
	16.1	199,801,013	300,599,685

16.1 Net realisable value of raw material, work in process and finished goods were lower than their cost, which resulted in write-downs of Rs. 2,242,635/- (2010: Nil), Rs. 902,143/- (2010: Nil) and Rs. 15,495,933/- (2010: Rs. 631,722/-) respectively charged to cost of sales.

	Note	2011 Rupees	2010 Rupees
17. TRADE DEBTS			
Considered good	17.1	354,986,513	381,852,484
Considered doubtful		2,187,089	228,296
		357,173,602	382,080,780
Less: Provision for doubtful debts	17.2	(2,187,089)	(228,296)
		354,986,513	381,852,484

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

17.2 Movement in provision for doubtful debts

	2011 Rupees	2010 Rupees
Balance at July 1,	228,296	158,393
Provision made during the year	2,223,276	69,903
Written off during the year	(264,483)	-
Balance at June 30,	2,187,089	228,296

17.3 Trade debts include debtors with a carrying amount of Rs. 254.3 million (2010: Rs. 50.55 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.

	Note	2011 Rupees	2010 Rupees
17.4 Ageing of past due but not impaired			
90-180 days		250,999,229	48,225,702
180 days and above		3,306,411	2,326,846
		254,305,640	50,552,548

18. LOANS AND ADVANCES

Considered good

	Note	2011 Rupees	2010 Rupees
Loan to employees - unsecured		485,308	212,500
Advances - unsecured			
to suppliers		23,599,499	123,231
for expenses		538,831	580,806
		24,138,330	704,037
Advance income tax		14,189,149	7,004,976
		38,812,787	7,921,513

19. DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2011 Rupees	2010 Rupees
Current portion of long-term deposits	14	5,501,500	4,440,255
Prepayments		747,464	681,037
		6,248,964	5,121,292

20. OTHER RECEIVABLES

	Note	2011 Rupees	2010 Rupees
Sales tax		5,726,084	6,683,505
Export rebate		2,194,344	2,194,344
Margin against letters of guarantee		3,067,070	3,067,070
Cotton quality and weight claims		122,785	419,220
Profit on deposits		1,832,444	2,160,431
Mark-up subsidy		985,318	676,680
		13,928,045	15,201,250
Less: Provision for doubtful receivables	20.1	**(3,193,799)**	(3,193,799)
		10,734,246	12,007,451

20.1 Movement in provision for doubtful receivables

	Note	2011 Rupees	2010 Rupees
Balance at July 1,		3,193,799	11,509,449
Written-off during the year		-	(8,315,650)
Balance at June 30,		3,193,799	3,193,799

21. CASH AND BANK BALANCES

	Note	2011 Rupees	2010 Rupees
Cash in hand		455,186	525,609
Cash at banks			
- in current accounts		6,970,213	17,247,706
- in term deposit accounts	21.1	31,227,559	28,277,559
- in saving account	21.2	24,843	25,708
		38,677,801	46,076,582

21.1 This represents term deposit receipts with various banks for a period ranging from six months to two years carrying mark-up at the rate ranging from 5.8% to 9.5% (2010: 6.8% to 11%) per annum. The banks have lien on these term deposit receipts on account of guarantees provided by such banks.

21.2 Effective mark-up rate is 5.09% (2010: 4.96%) per annum.

	Note	2011 Rupees	2010 Rupees
22. SALES			
Local:			
Yarn		1,140,290,957	1,108,827,954
Fabric		-	5,916,925
Waste		67,250,052	124,671,359
		1,207,541,009	1,239,416,238
Less: Brokerage, commission and discount		(4,429,509)	(2,014,513)
		1,203,111,500	1,237,401,725
23. COST OF GOODS SOLD			
Raw material	23.1	648,756,829	707,670,177
Salaries, wages and benefits	23.2	95,575,197	87,587,871
Fuel and power		148,498,571	141,394,134
Stores and spares		32,638,132	35,732,035
Packing material		17,440,612	14,729,755
Repair and maintenance		2,029,265	3,395,878
Fabric processing cost		-	676,220
Insurance		4,648,422	5,020,026
Depreciation	13.2	67,319,723	59,752,647
Other manufacturing overheads		3,472,973	3,359,317
		371,622,895	351,647,883
		1,020,379,724	1,059,318,060
Work-in-process			
Opening stock		16,460,324	18,421,527
Closing stock		(25,536,166)	(16,460,324)
		(9,075,842)	1,961,203
Cost of goods manufactured		1,011,303,882	1,061,279,263
Finished goods			
Opening stock		138,052,685	133,628,056
Closing stock		(106,404,037)	(138,052,685)
		31,648,648	(4,424,629)
		1,042,952,530	1,056,854,634

23.1 Raw material consumed

Opening stock	140,848,969	255,227,022
Purchases and purchase expenses	575,768,670	593,292,124
	716,617,639	848,519,146
Closing stock	(67,860,810)	(140,848,969)
	648,756,829	707,670,177

23.2 Salaries, wages and benefits include Rs. 5.37 million (2010: Rs. 4.99 million) in respect of staff retirement benefits.

	Note	2011 Rupees	2010 Rupees
24. DISTRIBUTION COST			
Freight and octroi		1,988,920	808,720
Commission and other charges		1,025,492	41,311
Clearing and forwarding		48,995	182,420
Export development surcharge		-	48,334
		3,063,407	1,080,785

25. ADMINISTRATIVE EXPENSES

	Note	2011 Rupees	2010 Rupees
Salaries and benefits	25.1	13,355,106	11,265,675
Traveling and conveyance		1,835,113	1,526,809
Postage and telephone		1,421,344	1,345,452
Electricity, gas and water		1,070,612	995,951
Vehicles running and maintenance		1,129,529	1,220,418
Depreciation	13.2	7,369,498	6,227,916
Legal and professional		399,661	182,000
Fees, subscription and periodicals		437,256	446,937
Printing and stationery		349,306	328,665
Computer		64,466	8,090
Rest house		199,475	184,150
Advertisement		253,712	349,117
Repairs and maintenance		117,000	29,000
Entertainment		741,976	491,111
Auditors' remuneration	25.2	706,000	696,000
Provision for doubtful debts	17	2,223,276	69,903
Donation	25.3	305,000	40,000
Others		490,391	213,827
		32,468,721	25,621,021

25.1 Salaries and benefits include Rs. 0.66 million (2010: Rs. 0.55 million) in respect of staff retirement benefits.

25.2 Auditors' remuneration

	2011 Rupees	2010 Rupees
Audit fee	500,000	500,000
Half year review fee	120,000	120,000
Other services	45,000	45,000
Out of pocket expenses	42,000	31,000
	707,000	696,000

25.3 No director or their spouse had any interest in the donees' fund.

26. OTHER OPERATING EXPENSES

	Note	2011 Rupees	2010 Rupees
Workers' participation fund		5,603,258	2,796,919
Workers' welfare fund		2,121,890	1,062,829
Infrastructure cess	9.3	12,517,167	-
Exchange loss-net		-	2,489,519
		20,242,315	6,349,267

27. FINANCE COST

	Note	2011 Rupees	2010 Rupees
Mark-up / interest on:			
Long-term finance	27.1	8,198,501	15,777,201
Short term borrowings		82,331,565	81,546,144
Finance lease arrangements		2,773,479	8,213,245
Morabaha finance		-	5,235,221
Workers' participation fund		367,431	-
Bank charges, commission and other		2,262,016	1,625,513
		95,932,992	112,397,324

27.1 It is netted off of markup subsidy of Rs. 1.39 million (2010: Rs.1.76 million)

28. OTHER OPERATING INCOME

	Note	2011 Rupees	2010 Rupees
Income from financial assets			
Profit on deposits		2,440,292	2,076,248
Income from assets other than financial assets			
Operating profit on trading of raw material	28.1	74,656,281	11,300,056
Sale of scrap		1,349,050	755,540
Amortization of deffered income		-	2,590,866
Liabilities written back		4,500,000	257,220
Gain on disposal of property, plant and equipment		58,263	-
		83,003,886	16,979,930

28.1 Operating profit on trading of raw material

	2011 Rupees	2010 Rupees
Local sales	450,639,064	43,576,482
Export sales	-	26,591,013
	450,639,064	70,167,495
Less: Cost of sales	(375,982,783)	(58,867,439)
	74,656,281	11,300,056

29. TAXATION

	2011 Rupees	2010 Rupees
Current	(17,264,703)	(6,607,978)
Prior years	253,073	74,383
Deferred	(22,384,408)	(13,953,056)
	(39,396,035)	(20,486,651)

Relationship between tax expense and accounting profit:

The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the total income of the company attracts minimum tax under Section 113 of the Income Tax Ordinance, 2001.

30. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2011	2010
Profit for the year	**Rupees**	52,059,386	31,591,973
Weighted average number of ordinary shares outstanding during the year		18,048,000	18,048,000
Earnings per share	**Rupees**	2.88	1.75

31. NON-CASH TRANSACTIONS

Additions to property, plant and equipment during the year amounting to Rs. 8.61 million (2010: Rs. 0.549 million) were financed by new finance leases.

32. 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 Cheif Executive Officer , directors and executives are disclosed in note 6 and note 33 respectively. Other significant transaction with the related party is as follows:

	Note	2011 Rupees	2010 Rupees
Contribution to provident fund	26.1	660,905	554,044

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2011			2010		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Director	Executives
	<------------------------- Rupees					------------------------->
Remuneration	116,660	349,980	2,943,413	-	-	3,319,188
House rent allowance	34,998	104,994	883,024	-	-	1,377,072
Utilities	11,666	34,998	294,341	-	-	330,360
Medical	11,666	34,998	294,341			
Retirement benefits	-	-	-	-	-	276,488
	174,990	524,970	4,415,119	-	-	5,303,108
Number of persons	1	3	5	-	-	6

The Chief Executive Officer, directors and some executives are provided with free use of Company maintained car.

34. OPERATING SEGMENT

The company manufactures yarn of various counts using cotton, viscose and polyester, as such 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. As such the financial statements have been prepared on the basis of a single reportable segment.

35. PLANT CAPACITY AND ACTUAL PRODUCTION

	2011	2010
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.	**9,291,618**	12,744,852

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.

36. FINANCIAL RISK MANAGEMENT

Financial instruments

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

	Note	2011 Rupees	2010 Rupees
FINANCIAL ASSETS			
Security deposits	14	8,635,528	11,921,948
Trade debts	17	354,986,513	381,852,484
Loans and advances	18	485,308	212,500
Other receivables	20	5,022,299	5,646,721
Cash and bank balances	21	38,677,801	46,076,582
FINANCIAL LIABILITIES			
Long-term financing			
- from banking companies	5	42,537,500	96,437,500
- from related parties	6	100,330,001	100,330,001
Liabilities against assets subject to finance lease	7	16,442,420	31,261,893
Trade and other payables	9	58,298,360	66,220,221
Interest / markup accrued	10	18,236,512	23,510,762
Short-term borrowings	11	368,696,933	529,734,267

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.

36.1 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 balances and deposits that arrive directly from operation s.

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

36.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to 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 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:

	2011 Rupees	2010 Rupees
Long term deposits	8,635,528	11,921,948
Trade debts	354,986,513	381,852,484
Loans and advances	485,308	212,500
Other receivables	5,022,299	5,646,721
Cash and bank balances	38,677,801	46,076,582

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 letters of guarantee, 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 banks	Short term rating	Long term rating	Rating Agency
National Bank of Pakistan	A1+	AAA	JCR-VIS
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
Bank Alfalah Limited	A1+	AA	PACRA
Soneri Bank Limited	A1+	AA-	PACRA

36.2.1 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 17.4 to the financial statements.

36.3 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:

2011	Weighted average effective rate of Interest	Within one year	1 - 3 years	More than 3 years	Total
		---------- Rupees ----------			
Long-term financing					
- from banking companies	15.50%	30,500,000	12,037,500	-	42,537,500
- from related parties	-	-	100,330,001	-	100,330,001
Liabilities against assets subject to finance lease	15.62%	11,164,471	5,277,949	-	16,442,420
Trade and other payables	-	58,298,360	-	-	58,298,360
Interest / markup accrued	-	18,236,512	-	-	18,236,512
Short-term borrowings	15.50%	368,696,933	-	-	368,696,933
		486,896,276	117,645,450	-	604,541,726

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	15.50%	529,734,267	-	-	529,734,267
		703,750,738	145,859,700	-	849,610,438

36.4 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:

36.4.1 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 receivable or payable balances.

36.4.2 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:

	2011 Rupees	2010 Rupees
Fixed rate instruments at carrying amount:		
Term deposit receipts	31,227,559	28,277,559
Variable rate instruments at carrying amount:		
Long-term financing	42,537,500	96,437,500
Liabilities against assets subject to finance lease	16,442,420	31,261,893
Short-term borrowings	368,696,933	529,734,267

36.4.3 Cash flow sensitivity analysis for variable rate instruments

At June 30, 2011, if interest rates on the Company's aforementioned borrowings had been higher / lower by 100 basis points with all other variables held constant, profit for the year would have been higher / lower by Rs. 5.98 (2010: Rs. 8.17) million. This analysis is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

36.4.4 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.

36.5 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.

37. CAPITAL DISCLOSURE

Company's objectives, policies and processes for managing capital are as follows:

Company is not subject to any externally imposed capital requirements.

Company's objectives when managing capital are to safeguard the company's ability to continue as a g oing concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Company sets the amount of capital in proportion to the risk and manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at June 30, 2011 and 2010 were as follows:

	2011 Rupees	2010 Rupees
Total borrowings	528,006,854	757,763,661
Less: cash and bank balances (note 21)	(38,677,801)	(46,076,582)
Net debt	489,329,053	711,687,079
Total equity	418,218,616	348,080,128
Total capital	907,547,669	1,059,767,207
Gearing ratio	54%	67%

The decrease in the debt-to-adjusted capital ratio during 2011 resulted primarily due to improved profitability and repayment of debt during the year.

38. NON - ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have proposed a final cash dividend for its minority shareholders of Re. 1/ (2010: Re.1.00) per share for the year ended June 30, 2011, amounting to Rs.4,976,148 (2010: Rs. 5,374,620) in their meeting held on Sep 27, 2011, 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 2.20.

39. 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, 2011.

40. 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
426	1	100	37,705
938	101	500	430,968
153	501	1000	147,448
154	1001	5000	419,453
27	5001	10000	223,963
21	10001	15000	265,191
23	15001	20000	446,213
8	20001	25000	187,352
6	25001	30000	171,760
3	30001	35000	97,300
3	35001	40000	118,612
2	40001	45000	86,413
3	45001	50000	147,260
5	50001	55000	258,516
4	55001	60000	237,400
2	60001	65000	129,202
2	65001	70000	138,150
20	70001	75000	1,499,412
33	75001	80000	2,629,508
1	80001	85000	81,500
1	85001	90000	85,500
2	95001	100000	199,500
1	100001	105000	102,400
1	115001	120000	118,500
1	125001	130000	125,900
1	135001	140000	140,000
2	160001	165001	325,500
1	170001	175000	173,900
3	215001	220000	655,188
1	240001	245000	240,800
2	295001	300000	600,000
1	310001	315000	314,500
1	355001	36000	355,588
1	360001	365000	364,980
2	370001	375000	744,000
1	375001	380000	376,500
1	400001	405000	405,000
1	465001	470000	468,000
1	490001	495000	492,026
1	590001	595000	595,000
1	595001	600000	600,000
1	610001	615000	611,700
1	650001	655000	655,000
1	655001	660000	656,500
1	885001	890000	888,692
1865			18,048,000

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Associated Companies, Undertaking	2	674,000	3.73
Directors, CFO & their Spouse & Children	10	5,737,384	31.79
Other Sponsors	60	6,513,624	36.09
Joint Stock Companies	8	335,398	1.86
Bank, Development Finance Institutions			-
Insurance Companies, Modarabas			-
and Mutual Fund	7	182,400	1.01
Shareholders Holding ten percent of more			-
voting interest in the Company	-	-	
Individuals	1778	4,605,194	25.52
	1865	18,048,000	100.00

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD	PERCENTAGE
Associated Companies, Undertaking and Related Parities	2		
Shama Enterprises (Pvt.) Ltd.		374,000	2.80
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		1,033,00	5.72
Mr. Imran Idrees Allawala		844,500	4.68
Mr. Kamran Idrees Allawala		815,588	4.52
Mr. Naeem Idrees Allawala		1,114,228	6.17
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	60	6,513,624	36.09
Executive		–	–
Joint Stock Companies	8	335,398	1.86
NIT & ICP		–	–
Banks, Development Finance Institutions Non-Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds	7	182,400	1.01
Shareholders Holding ten percent or more voting interest in the Company		–	–
Individuals	1,778	4,605,194	25.52
	1,865	**18,048,000**	**100.00**

FORM OF PROXY

The Secretary
IDREES TEXTILE MILLS LTD.
Ismail Centre, 1st Floor,
6-C, Central Commercial Area,
Bahadurabad, Karachi - 74800

I/We ____

of ____

being a member of Idrees Textile Mills Ltd. hereby appoint ______________

of ____

or failing ____

of ____

As my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the 22nd Annual General Meeting of the Company to be held on Saturday October 29, 2011 and at any adjournment thereof.

As witness my hand this ______________________________ of 2011

Signed by the said ______________________________ in the presence of

1. Witness:

Signature ____________________

Name: ____________________

Address ____________________

Signature on
Five Rupees
Revenue Stamp

____
Witness

2. Witness:

Signature ____________________ Shareholder's Folio No. ______________

Name: ____________________ CDC Participants I.D./Sub A/C # ______________

Address ____________________ CNIC No. | | | | | | | | | | |

(Important: This form of Proxy, duly completed and signed across a Rs. 5/-revenue stamp, must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting).