

#### MISSION STATEMENT

The mission of Maqbool Textile Mills Limited is to contribute positively to the Socio-Economic growth of Pakistan through business and industrial pursuits endeavoring to achieve excellence in all spheres of such activity with effective and efficient management.

#### VISION STATEMENT

Maqbool Textile Mills Limited become a truly Professional Organization, achieve higher quality standards, utilize maximum capacity, capture expansion opportunities and become a least cost operator amongst its competitors.

We will strive to continue as a successful Company, make profit and thus create value for our shareholders without high risk to them, our Customers or employees.

#### QUALITY AND ENVIRONMENTAL POLICY

Our aim is to achieve the leadership of textile and spinning industry through quality products according to customer satisfaction. We thrive to achieve the above through the following measures:

- 1) Acquisition of quality raw material.
- 2) Manufacturing of high quality yarn as per customer satisfaction.
- 3) Continuous training and guidance to employees regarding quality and environment.
- Continuous improvement, close watch and control in production process and environment.
- 5) Follow up of the system, regarding international quality and environmental laws.
- 6) Control of pollution discharge from industrial process.

#### COMPANY PROFILE

BOARD OF DIRECTORS

Mian Tanvir Ahmad Sheikh

- Chairman / Chief Executive Officer

Mrs. Romana Tanvir Sheikh

Mian Anis Ahmad Sheikh

Mrs. Rameen Anis Sheikh

Mian Idrees Ahmad Sheikh

Mian Aziz Ahmad Sheikh

Mr. Syed Raza Abbas Jaffari

- (Rep. NIT)

AUDIT COMMITTEE

Mian Tanvir Ahmad Sheikh

- Chairman

Mian Idrees Ahmad Sheikh Mian Aziz Ahmad Sheikh

- Member

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Muhammad Ehsanullah Khan

AUDITORS

M/s. M. Yousuf Adil Saleem & Co

Chartered Accountants,

Abdali Tower,

Abdali Road, Multan.

LEGAL ADVISOR

Sheikh Muhammad Faroog - Advocate

5-Nusrat Road, Multan Cantt.

BANKERS

Habib Bank Limited
Bank Al-Habib Limited
Allied Bank Limited

Habib Metropolitan Bank Limited

REGISTERED OFFICE

24/3, Tufail Road, Multan Cantt.

MILLS

M.M. Road, Chowk Sarwar Shaheed,

Distt. Muzaffargarh.

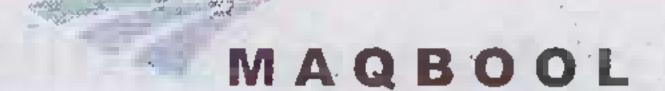
HEAD OFFICE

2-Industrial Estate, Multan.

SHARES REGISTRARS

M/s Hameed Majeed Associates (Pvt.) Ltd.

H.M House, 7-Bank Square, Lahore.



#### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of the Company will be held on Saturday the 30th day of October, 2010 at 10:30 A.M. at its Head Office, 2-Industrial Estate, Multan to transact the following business:

- 1. To confirm the minutes of the 20th Annual General Meeting of the Company held on Saturday the 31st day of October, 2009.
- To receive, consider and approve the Audited Financial Statements of the Company together with Directors' and Auditors' Report for the year ended 30th June, 2010.
- To approve the recommendation of the Board of Directors for payment of 22.50% (Rs. 2.25 per Share) Final Cash Dividend out of the profit for the Year Ended 30th June, 2010.
- To appoint Auditors for the Year 2010-11 till next Annual General Meeting of the Company and to fix their remuneration. The present Auditors Messrs M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.
- 5. To transact any other business with the permission of the Chair.

#### BY ORDER OF THE BOARD OF DIRECTORS

Sd/(Muhammad Ehsanullah Khan)
Company Secretary

Multan

Dated: 08.10.2010

#### NOTES:

- (i) The Share Transfer Book of the Company will remain closed from 23.10.2010 to 30.10.2010 (both dates inclusive).
- (ii) Shares transfer received at the Company's Registrars office, M/s Hameed Majeed Associates (Pvt.) Ltd. H.M House, 7-Bank Square, Lahore by the close of business on 22nd October 2010 will be treated in time.
- (iii) A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote instead of him / her. A proxy must be a member. Proxies in order to be valid must be received at the Registered / Head Office of the Company not less than 48 hours before the time of meeting.
- (iv) Any individual Beneficial Owners of CDC, entitled to attend and vote at this meeting must bring his / her NIC or Passport to prove his / her identity, and in case of proxy must enclose an attested copy of his / her CNIC or passport. Representatives of Corporate members should bring the usual documents required for such purpose.
- (v) Members are requested to notify immediately any change in their addresses.
- (vi) Members who have not yet submitted attested photocopy of their computerized National Identity Cards (CNIC) to the Company are requested to send the same at the earliest.

#### DIRECTORS' REPORT

In the name of Allah the Most Beneficent and the Merciful

Dear Shareholders,

Your directors are pleased to present the 21st Annual Report on the affairs of your company along with Audited Financial Statements for the year ended June 30, 2010.

SUMMARIZED FINANCIAL RESULTS	2010 Rupees	2009 Rupees (Re-Stated)
Sales Cost of goods sold	2,183,978,491 (1,890,570,267)	1,807,314,027 (1,636,002,604)
Gross profit	293,408,224	171,311,423
Distribution cost Administrative Expenses Other operating expenses Other Income	(43,706,064 (34,669,533) (8,057,347) 6,025,231	(52,471,019) (27,521,917) (745,880) 8,191,872
Profit from Operations	213,000,511	98,764,469
Finance cost  Profit before taxation  Provision for Taxation	(94,510,910) 118,489,601 (29,510,702)	(115,036,572) <b>16,272,093</b> (640,957)
Net Profit / (loss) for the year	88,978,899	(16,913,050)
Earning per share	5.30	(1.01)

The salient features of the operations of the Company during the year are summarized below:

- \* Alhamdulillah, repayments of installments of long term leans of HBL for Rs. 84.366 Million falling due during the period under review have been made timely leaving a total outstanding liability of loans of HBL at Rs. 57.075 Million as on 30.06.2010. Subsequent to the Balance Sheet date, a further amount of Rs. 40.525 Million has also been paid towards installments of Long Term Loan leaving a payable balance of Rs. 16.550 Million to HBL.
- \* Four sets of RY-5 Ring Spinning Frames (1,728 Spindles) were installed in the mills during the year. Currently the total number of installed spindles in both units is 46,200.
  - The Company decided to install a Ginning Unit in its premises at Chowk Sarwar Shaheed. The Capital work in this respect was in progress as on the



Balance Sheet date. The unit comprise of 5-Sets of Sawgin Machines and one Automatic Bailing Press having a ginning capacity of 250 bales per day. We are glad to report that the ginning unit started its operations subsequent to the Balance Sheet date on 22nd September 2010. Own ginning unit of the company will help to obtain a better and contamination free cotton for the mills to produce high quality yarns.

#### EXPORTS:

The Company made total exports of yarn valuing Rs. 519.061 Million during the year under report as compared to the Exports valuing Rs. 872.243 Million during the previous year. The decrease in export sales was mainly due to the quota restrictions on exports.

#### DIVIDEND:

To share the profit of the company with the shareholders, your Directors propose distribution of a final cash dividend @ 22.50% (Rs. 2.25 per share) to the shareholders of the Company, out of the profit earned for the year ending 30.06.2010.

#### ISO 9001:2000 QMS AND ISO 14001:1996 EMS CERTIFICATION:

The Company has successfully maintained its ISO 9001:2000 certification for Quality Management System and the ISO 14001:1996 certification for Environmental Management System.

#### COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:

We are pleased to report that the Company is fully complying with the requirements of the Code of Corporate Governance as introduced by the Securities and Exchange Commission of Pakistan. The various statements, as required by the code, are appended with the report.

#### BOARD MEETINGS:

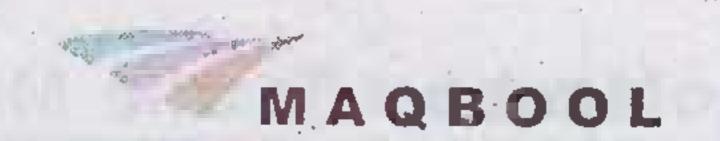
During the year ended on 30.06.2010 four (4) meeting of the Board of Directors were held. Attendance by each Director is given below:

	Director's Name		Meetings	Attended
	Mian Tanvir Ahmad Sheikh	2 2	4	
	Mrs. Romana Tanvir Sheikh		4	
,	Mian Anis Ahmad Sheikh		4	
	Mrs. Rameen Anis Sheikh		4.	
	Mian Idrees Ahmad Sheikh		4	
	Mian Aziz Ahmad Sheikh		4	
	Mr. Manzoor A. Sheikh (Rep.) NIT		2	

Leave of absence was granted to Directors who could not attend the meetings.

#### RECOVERY OF BALANCE FIRE LOSS OCCURRED IN 2000:

The Winding up Petition filed in the Lahore High Court and the Recovery Suit filed in the



Civil Court, Lahore against Pakistan General Insurance Company Ltd., are pending adjudication in the respective Honorable Courts. The amount recovered if any from the PGI shall be incorporated in the accounts as and when received.

#### AUDITORS

Your Company's Auditors M/s M. Yousuf Adil Saleem & Co., Chartered Accountants, Multan, retired and being eligible offer themselves for re-appointment for the next year.

#### PATTERN OF SHAREHOLDING

Pattern of holding of the shares by the Shareholders of the Company as on 30-06-2010 as required under Section 236 (2) (d) of the Companies Ordinance, 1984 is enclosed.

#### RELATIONS WITH LABOUR AND STAFF

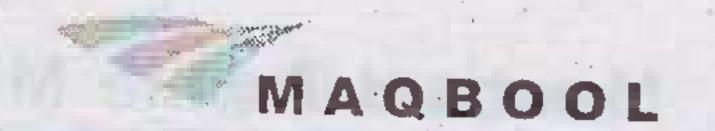
Your Directors are happy to report that relations with labour and staff of the Company remained cordial throughout the year.

#### ACKNOWLEDGMENT

Your Directors acknowledge the best cooperation as usual enjoyed by your Company from M/s Habib Bank Limited, M/s Bank Al-Habib Limited, M/s Habib Metropolitan Bank Limited and Allied Bank Limited and wish to record their sincere appreciation for the same and hope they will continue their support to us in future. The dedicated hard work of all employees of the company is also acknowledged.

MULTAN:

Dated: 08-10-2010



## STATEMENT OF ETHICS AND BUSINESS PRACTICES

#### INTRODUCTION

Maqbool Textile Mills Limited is committed to all-round excellence in the sphere of business activity. As in the past, we strive to maintain sound ethical, business, and legal standards. Maqbool Textile Mills Limited affirms to observe all prevailing and applicable laws and regulations of the Country.

#### CODE OF CONDUCT

Maqbool Textile Mills Limited steadfastly adheres to implement transparent, ethical and professional lines of conduct in all business interfaces with our stakeholders.

#### EMPLOYEES

Maqbool Textile Mills Limited has a historical track record of outstanding employees management relations. In the past over 21 years, there has never been any incident of employee's management tension. The Company is committed to provide a safe, secure and congenial working environment to all its employees, regardless of rank, caste or creed, thereby maximizing the employees output and the Company's prosperity.

#### COMMUNITY

Maqbool Textile Mills Limited, observes and pursues good community relations. The Company provides Residence to staff and other employees within the Mills colony premises.

#### QUALITYASSURANCE

Maqbool Textile Mills Limited produces highest quality 'Maqbool' Brand (Yarn, 7 Count to 20 Count 100% cotton and 20 to 40 CVC blended yarn) which conform to the high standards and quality. Our product is backed up with twenty one years of yarn manufacturing experience and continuous process of BMR.

# ISO CERTIFICATIONS FOR QUALITY MANAGEMENT SYSTEM & ENVIRONMENT MANAGEMENT SYSTEM

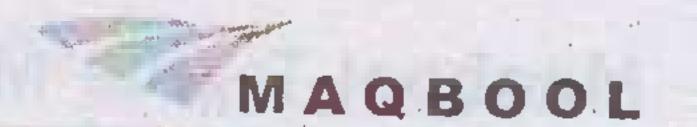
Maqbool Textile Mills Ltd., has successfully obtained ISO Certifications for Quality Management System and Environment Management System through the SGS under latest International Standards. Maqbool Textile Mills Limited is an environment friendly Company. These Certifications have added to the prestige and enhanced the image of the Company and it has become compliant to the WTO requirements.

#### FINANCIAL REPORTING

Our accounting practices and finance policies are guided by prevailing corporate regulations, Companies Ordinance, 1984 and the Code of Corporate Governance. Further, we aim to fully comply with International Accounting Standard (IAS) in the preparation of financial statements. Departure if any from the standards is adequately disclosed.

#### CONCLUSION

Maqbool Textile Mills Limited, is a Quality Conscious and Environment Friendly Company realizing its Corporate & Social Responsibilities. The Company ensure that this Statement of Ethics and Business Practices is understood and implemented by all concerned in letter and spirit.



#### PRESENTATION OF FINANCIAL STATEMENTS:

The financial statements, prepared by the Company, fairly present its state of affairs, the results of operations, cash flows, and changes in equity.

#### **BOOKS OF ACCOUNTS:**

The Company has maintained proper books of accounts.

#### ACCOUNTING POLICIES:

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

#### COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS (IAS):

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

#### INTERNAL CONTROL SYSTEM:

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

#### ON GOING CONCERN:

The company's financial position is sound enough to ensure its continuity as an on going concern.

#### NO OUTSTANDING STATUTORY DUES:

There are no outstanding statutory dues on account of Taxes, Levies and charges except of normal and routine nature;

#### TRADING IN COMPANY'S SHARES:

No trading in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

#### DEBT OBLIGATION:

By the Grace of God the Company continues to meet its financial commitments and debt obligations on time.

#### FINANCIAL HIGHLIGHTS:

Key operating and financial data of last six years is Annex-I.

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### SIX YEARS KEY OPERATING AND FINANCIAL DATA

	June 30; 2010	June 30, 2009 Restated	June 30, 2008	June 30, 2007 Restated	June 30, 2006	June 30, 2005
BALANCESHEET						
Authorized Capital	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	100,000,000
Issued, subscribed & Paid Up Capital Reserves Un-appropriated (Loss)/Profit Total Equity Surplus on revaluation of	168,000,000 42,000,000 40,367,698 250,367,698	168,000,000 42,000,000 (48,611,200) 161,388,800	168,000,000 42,000,000 (31,698,150) 178,301,850	168,000,000 42,000,000 2,737,423 212,737,423	84,000,000 42,000,000 55,162,071 265,162,071	84,000,000 42,000,000 52,867,035 262,867,035
Property, plant and equipmer Liabilities	nt 150,268,385	150,268,385				
Deferred/Long term Short Term Liabilities Total Liabilities	162,755,067 451,754,360 614,509,427	136,862,996 888,732,517 1,025,595,513	24,382,828 788,090,084 992,843,179	18,871,098 514,470,020 798,077,374	33,527,403 362,074,574 697,348,613	373,734,472 218,210,966 591,945,437
Total Equity & Liabilities	1,015,145,510	1,337,252,698	1,171,145,029	1,010,814,797	962,510,684	854,812,473
Fixed Assets Owned Long Term Deposits Current Assets Total Assets	692,329,191 4,499,639 318,316,680 1,015,145,510	718,606,318 3,557,739 614,220,555 1,337,252,698	593,974,372 3,466,739 572,835,484 1,171,145,029	621,982,238 3,466,739 384,497,038 1,010,814,797	628,841,244 3,097,739 329,702,571 962,510,684	580,729,236 2,863,739 248,020,451 854,812,473
PROFIT & LOSS ACCOUNT						
Turnover (net) Gross Profit Operating Profit/(Loss) Profit/(Loss) before taxation Taxation Profit/(Loss) for the Year	2,183,978,491 293,408,224 112,464,370 118,489,601 29,510,702 88,978,899	1,807,314,027 171,311,423 (24,463,965) (16,272,093) 640,957 (16,913,050)	1,767,354,296 94,774,763 47,241,479 (25,598,802) 8,836,771 (34,435,573)	1,636,937,349 80,737,165 33,737,118 (41,425,911) 8,172,301 (49,598,212)	1,420,380,204 128,112,755 90,475,532 30,396,936 7,101,901 23,295,035	753,526,694 82,339,543 5,470,014 40,269,893 8,688,830 31,581,063
DISTRIBUTION						
Cash Dividend %	22.50%	NIL	NIL	NIL	NIL	12.50
RATIOS						
Break up vlaue (Rs) Earning per share (Rs.) Return on Equity (Rs) Current Ratio Debt / Equity Ratio without surpl Debt / Equity Ratio with surplus		18.55 (1.01) (0.054) 0.69:1 0.84 0.439	10.61 (2.05) (0.19) 0.73:1 16:84	16.26 (2.95) (0.23) 0.75:1 22:78	15.78 1.39 0.09 1.09:1 38:62	15.65 3.08 0.19 0.87:1 31:69
CAPACITY AND PRODUCTIO	N					
Total No. of Spindles Installed Unit # 1 Installed Capcity of Yarn-	46,200 18,336	44,472 18,672	44,472	44,472 18,672	39,312	39,312 18,672
20/S Count (Kgs)	6,202,118	5,975,052	5,701,816	5,631,549		6,279,620
Production of Yarn- 20/S Count (Kgs) Unit # 2 Standard production of Yarn	4,816,825 27,864	5,138,171 25,800	5,593,893 25,800	5,629,186 25,800	20,640	5,433,165 20,640
40's PC (Kgs) (2009: 30's PC	C) 3,975,305	6,372,218	6,061,406	5,387,222	4,978,457	
Actual production of Yarn 40's PC (Kgs) (2009: 30's Po	C) 3,730,163	5,487,830	5,996,648	5,568,918	5,021,473	

# STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

Year Ended June 30, 2010

This statement is being presented by the Board of Directors (the Board) of Maqbool Textile Mills Limited (the Company) to comply with the Code of Corporate Governance (the Code) contained in Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, Regulation No.35 (Chapter XI) of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Regulation No.35 (Chapter XI) of the Listing Regulation of the Islamabad Stock Exchange (Guarantee) Limited of Pakistan 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:

- The Board of Directors of the Company comprises of Seven Directors including Chief Executive Officer. The number of Executive Directors on the Board is Five (5),
- The Directors have confirmed that none of them is serving as a director in more than ten Listed companies, including this Company.
- All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a Banking Company, a Development Financial Institution or a Non Banking Financial Institution and none of them is member of any stock exchange.
- There has been no casual vacancy occurred in the Board during the year.
- 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.
- The Board has developed a vision / mission statement, overall 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.
- All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of Chief Executive Officer and Executive Directors.
- All related party transactions have been reviewed and approved by the Board and are carried out on normal / agreed terms and conditions.
- The meetings of Board were presided over by the Chairman, and, and the Board met at least once in every quarter. Written notices of the Board meetings were circulated at least seven days before the meetings. Agenda and working papers were also circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 10. The Directors of the Company have given declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984, the listing regulations, Code of Corporate Governance, Company's Memorandum & Articles of Association and other relevant laws and regulations of Stock Exchanges. The directors are also



encouraged to attend the workshops and seminars on the subject of Corporate Governance.

- The Board has approved appointment, remuneration and terms and conditions of the employment of the Company Secretary including remuneration as determined by the Chief Executive Officer There was no new appointment of Chief Financial Officer (CFO), and Head of Internal Audit during the year.
- 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.
- The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
- The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
- The Company has complied with all the corporate and financial reporting requirements of the Code.
- The Board has formed an Audit Committee. It comprise of three(3) members, all of them are non-executive directors including the Chairman of the committee.
- The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- The Board has set up an effective internal audit function headed by the Head of Internal Audit. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
- The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality control review programme 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.
- 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 guide lines in this regard.

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

For and on behalf of the Board

Sd/MIAN TANVIR AHMAD SHEIKH
CHIEF EXECUTIVE OFFICER

Multan: September 30, 2010



# REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of MAQBOOL TEXTILE MILLS LIMITED (Company) to comply with the Listing Regulation of the Karachi, Lahore and Islamabad Stock Exchange where the Company is listed.

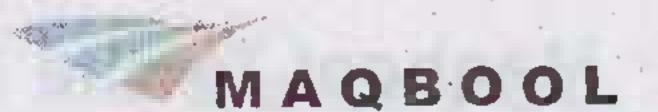
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance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

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

Further, Listing Regulations of The Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between the transactions carried out on terms equivalent to those that prevail in arm's length transactions and the 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 with the requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Dated: 08.10.2010 Place: Karachi M. YOUSUF ADIL SALEEM & CO. Chartered Accountants.



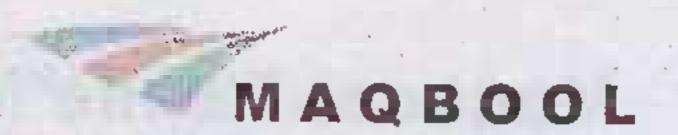
#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of MAQBOOL 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
  - 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 the accounting policies consistently applied, except for the changes as stated in note 2.3 to the financial statements, 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;

- 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 parts 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...

M. YOUSUFADIL SALEEM & CO.

Chartered Accountants.

Place: Karachi

Date: 08.10.2010



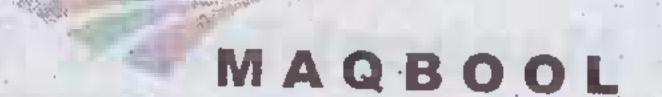
#### BALANCE SHEET AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees Restated
NON-CURRENT ASSETS  Property, plant and equipment  Long-term investment  Long-term deposits	4 5	691,461,453 867,738 4,499,639	718,606,318 868,086 3,557,739
		- 636,838,838 ·	723,832,543
CURRENT ASSETS Stores and spares Stock-in-trade Trade debts Loans and advances Trade deposits and short-term prepayments Tax refunds due from government	6 7 8 9 10	12,818,108 166,591,771 114,659,154 8,422,020 555,526 9,204,721	10,208,803 286,307,461 276,955,973 10,426,487 719,992 11,440,349
Advance tax - net of provision  Other receivable	11	5,029,576	1,941,231
Current portion of long-term investment	5	348	348
Cash and bank balances	12	494,020	8,205,202
		318,316,680	614,220,555
		1,015,145,510	1,337,252,698
SHARE CAPITAL AND RESERVES Authorized capital 20,000,000 (2009: 20,000,000) Ordinary shares of Rs. 10 each Issued, subscribed and paid-up capital	13	200,000,000	200,000,000
General reserve Accumulated profit / (loss)		42,000,000 40,367,698	42,000,000 (48,611,200)
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT	14	250,367,698	161,388,800
NON-CURRENT LIABILITIES  Long term financing  Deferred liabilities	15 16	128,432,401 34,322,666	119,882,277 16,980,719
		162,755,067	136,862,996
CURRENT LIABILITIES  Trade and other payables  Accrued mark-up  Short-term borrowings  Current portion of long-term financing	17 18 19 15	151,818,693 17,369,113 231,116,680 51,449,874	154,841,024 29,124,896 620,400,609 84,365,988
CONTINGENCIES AND COMMITMENTS	20		
		1,015,145,510	1,337,252,698

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

Sd/Mjan Tanvir Ahmad Sheikh
Chairman/ Chief Executive Officer

Sd/Mian Anis Ahmad Sheikh
Director



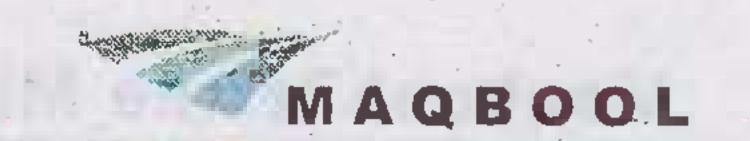
### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees Restated
Sales	21	2,183,978,491	1,807,314,027
Cost of goods sold	22-	(1,890,570,267)	(1,636,002,604)
Gross profit Other operating income	23	293,408,224	171,311,423
		299,433,455	179,503,295
Distribution cost	24	43,706,064	52,471,019
Administrative expenses	25	34,669,533	27,521,917
Other operating expenses	26	8,057,347	745,880
		(86,432,944)	(80,738,816)
Finance cost	27	(94,510,910)	(115,036,572)
Profit / (loss) before taxation		118,489,601	(16,272,093)
Taxation	28	(29,510,702)	(640,957)
Profit / (loss) for the year		88,978,899	(16,913,050)
Other comprehensive income / (loss) for the year - net of tax			
Total comprehensive income / (loss) for the year - net of tax		88,978,899	(16,913,050)
Earnings per share - basic and diluted	29	5.30	(1.01)

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

Sd/Mian Tanvir Ahmad Sheikh
Chairman/ Chief Executive Officer

Sd/Mian Anis Ahmad Sheikh
Director



#### CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note Rupees	2009 Rupees Restated
CASH FLOWS FROM OPERATING ACTIVITIES  Profit / (loss) before taxation  Adjustments for:	118,489,601	(16,272,093)
Depreciation Provision for gratuity Finance cost	58,619,078 8,043,034 94,510,910	56,778,275 7,190,097 115,036,572
	161,173,022	179,004,944
Operating cash flows before in working capital changes	279,662,623	162,732,851
(Increase)/decrease in current assets Stores and spares Stock-in-trade Trade debts Loans and advances (excluding advance income tax) Trade deposits and short term prepayments Tax refunds due from government Other receivable	(2,609,305) 119,715,690 162,296,819 2,004,467 164,466 2,235,628 1,399,795 285,207,560	22,720,089 (520,522) (185,900) 2,682,533
(Decrease) / increase in current liabilities Trade and other payables	(3,022,331)	62,345,715
Cash generated from operations	561,847,852	187,300,762
Income tax paid Gratuity paid Finance cost paid	·(11,929,757) (5,296,900) (106,266,693) (123,493,350)	(15,741,693) (6,474,800) (105,285,463) (127,501,956)
Net cash generated from operating activities	438,354,502	59,798,806
CASH FLOWS FROM INVESTING ACTIVITIES Purchases of property, plant and equipment Long term deposits Redemption of long term investment	(31,474,213) (941,900) 348	(3,141,836) (91,000) 348
Net cash used in investing activities	(32,415,765)	(31,232,488)
CASH FLOWS FROM FINANCING ACTIVITIES Repayment of long-term finances Short-term borrowings - net	(24,365,990) (389,283,929)	
Net cash used in financing activities	(413,649,919)	(23,105,610)
Net (decrease)/increase in cash and cash equivalents	(7,711,182)	5,460,708
Cash and cash equivalents at the beginning of the year	8,205,202	2,744,494
Cash and cash equivalents at the end of the year	494,020	8,205,202

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

Sd/Mian Tanvir Ahmad Sheikh
Chairman/ Chief Executive Officer

Sd/Mian Anis Ahmad Sheikh
Director



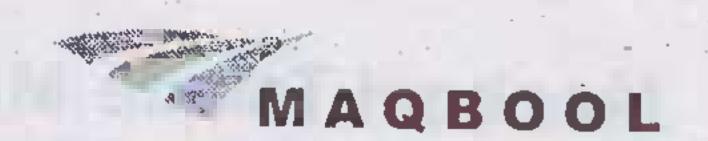
# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2010

	-	Share capital		Revenue reserves		
	Iss	ued, subscribe and paid-up		Beneral	Unappropriated profits / (accumulated los	iolai
Balance at June 30, 2008		168,000,000	R	u p e	es-	
Loss for the year (restate (note 4)	ed)					) 178,301,850
Other comprehensive income for the year - net of tax					(16,913,050)	(16,913,050)
Total comprehensive los	S				(16,913,050)	(16,913,050)
Balance at June 30, 2009 (restate	ed).	168,000,000	42,0	00,000	(48,611,200)	161,388,800
Other comprehensive income for the year - net of tax					88,978,899	88,978,899
Total comprehensive inco	me				88,978,899	88,978,899
Balance at June 30, 2010	1	68,000,000	42 00	0,000		

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

Sd/-Mian Tanvir Ahmad Sheikh Chairman/Chief Executive Officer

Sd/-Mian Anis Ahmad Sheikh Director



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

#### 1 GENERALINFORMATION

- 1.1 Maqbool Textile Mills Limited (the Company) was incorporated in Pakistan on December 03, 1989 as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Karachi, Lahore and Islamabad stock exchanges. The registered office of the Company is situated in Multan, Pakistan. The Company is principally engaged in manufacturing and sale of yarn. The Company's manufacturing facilities are located at Muzaffar Garh, Pakistan.
- 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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under Companies Ordinance, 1984 shall prevail.

#### 2.2 Basis of preparation

These financial statements have been prepared under the historical cost and convention modified by:

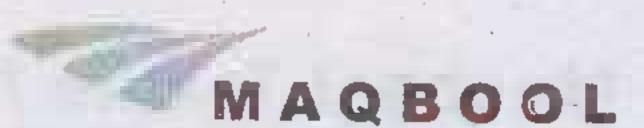
- revaluation of certain property, plant and equipment
- financial instrument at fair value.

#### 2.3. Change in accounting policy

The following standard is effective from accounting periods on or after January 1, 2009 and is applicable to the Company from the current financial year.

#### 2.3.1 IAS 1 - Presentation of financial statements (Revised)

IAS 1 (Revised) 'Presentation of financial statements' - The revised standard



**Effective Date** 

(accounting periods

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, and 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 permitted under revised IAS 1.

As surplus on revaluation of property, plant and equipment 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 property, plant and equipment have not been considered part of comprehensive income and accordingly these are not included as a part of statement of comprehensive income presented in these financial statements.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

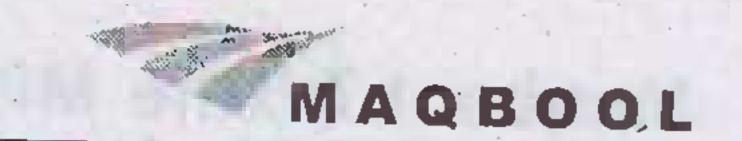
#### 2.4 Other standards and interpretations applicable but not relevant

Standards or Interpretations

In addition to the above standard and interpretations there were other accounting standards, interpretations and amendments which became effective during the year. Such standards, interpretations and amendments will not result in significant impact on the Company's financial statements other than improved disclosures and presentations.

# 2.5 Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

	beginning on or after)
IFRS 2 - Share-based payments (Amendment)	January 01 2010
IFRS 5 - Non-current assets held for sale and Discontinued	January 01, 2010  January 01, 2010
IFRS 8 - Operating Segments (Amendment)	January 01, 2010
IAS 1 - Presentation of Financial Statements (Amendment)	January 01, 2010
IAS 7 - Statement of cash flows (Amendment)	January 01, 2010
IAS 17 - Leases (Amendment)	January 01, 2010
IAS 24 - Related party disclosures (Revised) IAS 32 - Financial Instruments: Presentation (Amendment)	January 01, 2010 February 01, 2010
IAS 36 - Impairment of assets (Amendment)	January 01, 2010
IAS 39 - Financial Instruments: Recognition and Mesuremen	
IFRIC 14: IAS 19 - The Limit on a Defined Benefit Assets,	
Minimum Funding Requirements and their Interaction	January 01, 2010



IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

January 01, 2010

The Company considers that the above revised standards, amendments to published standards and interpretations to existing standards are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements.

#### 2.6 The principal accounting policies adopted are set out below:

#### 2.6.1 Staff retirement benefits

#### Defined benefit plan

The Company operates an unfunded gratuity scheme for all its eligible employees who have completed the minimum qualifying period of service as defined under the respective scheme. The charge for the year is based on actuarial valuation using "Projected Unit Credit Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligation adjusted for unrecognised actuarial gains and losses.

Net cumulative unrecognised actuarial gains and losses at the end of previous year which exceeds 10% of present value of defined obligation are recognized as income or expense over the average expected remaining working lives of the employees.

#### 2.6.2 Foreign currency translation

Transactions in foreign currencies are translated at the rates of exchange prevailing on the dates of 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 except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in profit or loss for the period.

#### 2.6.3 Taxation

#### Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, 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 recognized 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 effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with requirement of Technical Release - 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit 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.

#### 2.6.4 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any Freehold land is stated at revalued amount, capital work-in-progress is stated at cost.

Depreciation on property, plant and equipment, except freehold land and capital work-in-progress, is charged to profit and loss account applying reducing balance method over the estimated useful lives of the assets at the rates shown in note 4.1 to the financial statements. Depreciation on additions is charged from the month the asset is available for use up to month immediately preceding the date of disposal.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

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

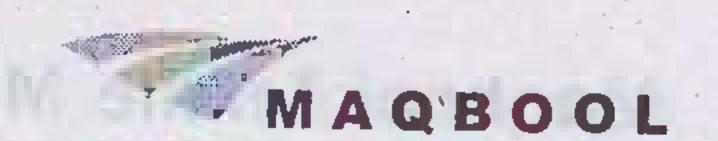
Gain and losses on disposal of property, plant and equipment are taken to profit and loss account as and when incurred.

Capital work-in-progress (CWIP) is stated at cost less recognised impairment loss. All expenditures connected to the specific assets incurred during installation and construction period are carried under CWIP. These are transferred to specific assets as and when assets are ready for their intended use.

#### 2.6.5 Investments

Held-to-maturity

Held-to-maturity investments are financial assets with fixed or determinable



payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus transaction cost and are subsequently carried at amortized cost using effective interest rate method.

#### Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

#### 2.6.6 Stores and spares

These are valued at lower of cost and net realizable value determined on moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

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

#### 2.6.7 Stock - in - trade

These are valued at lower of cost and net realisable value applying the following basis:

Particulars	Mode of valuation
- Raw material	At weighted average cost.
- Material in transit	At cost accumulated up to balance sheet date.
- Work-in-process	At average manufacturing cost.
- Finished goods	At lower of cost and net realizable value.
- Waste	At net realizable value.

Cost in relation to finished goods represents the annual average manufacturing cost which consists of prime cost and appropriate production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated cost necessary to be incurred to effect such sale.

#### 2.6.8 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.



#### 2.6.9 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 consist of cash in hand and balances with banks.

#### 2.6.10 Revenue Recognition

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

- Direct local sales are recorded when significant risks and reward are transferred which coincides with delivery of goods to customers.
- Local sales through agents are booked on intimation from the agents.
- Export sales are recorded on dispatch of goods to customers.
- Profit from investment is recognized on time apportioned basis using effective rate of interest.

#### 2.6.11 Borrowing costs

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 capitalised as part of the cost of the respective 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 expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

#### 2.6.12 Provisions

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

#### 2.6.13 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. Any gain or loss on derecognition of the financial assets and liabilities is taken to profit and loss account directly.

#### 2.6.14 Off setting of financial assets and financial liabilities

#### 2.6.15 Impairment

#### Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss even') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### Loans and receivables

For amounts due from loans and advances to customers carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

#### Held-to-maturity financial investments

An impairment loss in respect of financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

The Company assess at each balance sheet date whether there is any indication that assets except stores and spares and stock-in-trade may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where 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 is recognized as in income.

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

#### 2.6.16 Trade and other payables

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

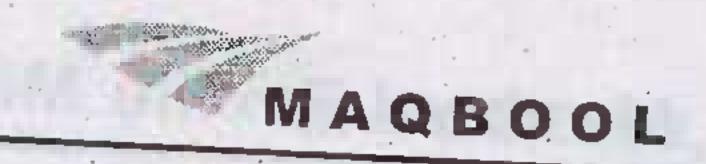
#### 2.6.17 Dividend distribution

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

# 2.6.18 Critical judgments and accounting estimates in applying the accounting policies

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts 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 circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on the ongoing basis. Revisions to accounting estimates are recognized in the period in which estimate is revised if the revision affects only that period, or



in the period of revision and future period if the revision affects both current and future periods.

In preparing these financial statements, the significant judgment made by the management in applying accounting policies include:

- useful lives of property, plant and equipment (notes 2.6.4 and 4.1)
- provision for staff retirement benefits (notes 2.6.1 and 16.1)
- provision for taxation (notes 2.6.3 and 28)

#### 3. PRIOR PERIOD ERROR

On October 31, 2009, MEPCO charged to the company an arrear amount of Rs. 33.542 million on account of change in electricity tariff effective September 01, 2008.

Total amount of arrears include Rs. 25.774 million pertaining to financial statements for the year ended June 30, 2009 and the said financial statements have been re-stated incorporating the quantum of liability.

The effects of restatement on financial information is summarized below:

	The state of the s	JVV.
(Increase) in cost of goods sold		June 30, 2009 Rupees
Decrease in deferred tax expense		(25,774,605)
Decrease in profit		3,448,909
		(22,325,696)
(Increase) in trade and other payables Decrease in deferred tax liability		(25,774,605)
(Decrease) in equity		3,448,909
		(22,325,696)
The earliest and		

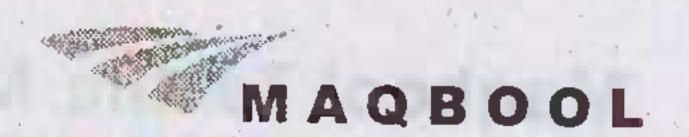
The earliest comparative period balance sheet as at June 30, 2008 has not been reproduced in the financial statements as the error relates only to prior year and does not have any effect on earlier periods.

4.	PROPERTY, PLANTAND EQUIPMENT
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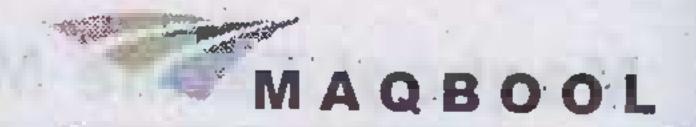
		Note	2010 Rupees	2009 Rupees
	Operating assets Capital work-in-progress	4.1	687,581,179	716,756,532 1,849,786
4.1	Operating assets		691,461,453	718,606,318

PARTICULARS	Cost at July 01, 2009	Additions	Revaluation	Cost/Revaluation at June 30, 2010
Eroobaldie		RUF	PEES	
Freehold land Buildings on freehold land Plant and machinery Generator Electric fittings and installations Tools and equipment Office equipment Telephone installations Furniture and fittings Arms and ammunitions Weighing scales Tubewell Fire extinguishing equipment Vehicles	211,631 2,662,532 1,077,072 3,752,944 14,095 1,599,469 761,687 1,100,387	12,000 24,154,853 52,287 1,736,058 623,700 60,400 715,150 6,000		157,522,500 166,481,313 830,061,207 10,437,055 46,500,594 211,631 3,286,232 1,137,472 4,468,094 14,095 1,605,469 761,687
	9,594,811	2,083,277		1,100,387
June 30, 2010	,205,822,099			11,678,088
	,200,022,099	29,443,725		1,235,265,824

PARTICULARS	Cost at July 01, 2008	Additions	Revaluation	Cost / Revaluation at June 30, 2009
Freehold land Buildings on freehold land Plant and machinery Generator Electric fittings and installations Tools and equipment Office equipment Telephone installations Furniture and fittings Arms and ammunitions Weighing scales Tubewell Fire extinguishing equipment Vehicles	7,254,115 121,096,055 773,061,230 9,499,928 43,532,576 145,631 2,293,087 1,017,822 3,463,436 14,095 1,599,469 761,687 1,100,387 9,104,811	45,373,258 32,845,124 884,840 1,231,960 66,000 369,445 59,250 289,508	PEES 150,268,385	157,522,500 166,469,313 805,906,354 10,384,768 44,764,536 211,631 2,662,532 1,077,072 3,752,944 14,095 1,599,469 761,687 1,100,387
June 30, 2009	973,944,329	81,609,385	150,268,385	9,594,811



Accumulated depreciation at July 1, 2009	Depreciation for the year	Accumulated depreciation at June 30, 2010	Written down value at June 30, 2010	Rate %
		RUPEES		
62,149,371	10,432,594	72,581,965	157,522,500 93,899,348	10
384,400,928 7,169,389	43,054,126	427,455,054 7,493,106	402,606,153	10
24,026,070	3,256,103	27,282,173	2,943,949 19,218,421	10
126,582	8,505	135,087	76,544	10
1,135,330	186,501	1,321,831	1,964,401	10
1,977,822	57,013 200,692	586,931	550,541	10
11,545	255	2,178,514	2,289,580	10
824,470	77,750	902,220	.703,249	10
389,741	37,195	426,936	334,751	10
472,660	62,773	535,433	564,954	10
5,851,741	921,854	6,773,595	4,904,493	20
489,065,567	58,619,078	547,684,645	687,581,179	
Accumulated depreciation at July 1, 2008	Depreciation for the year	Accumulated depreciation at June 30, 2009	Written down value at June 30, 2009	Rate %
	RUPE	ES -		
			157,522,500	
55,165,357	6,984,014	62,149,371	104,319,942	10
339,903,928 6,882,958	44,497,000	384,400,928	421,505,426	10
20,435,971	3,590,099	7,169,389	3,215,379	10
118,662	7,920	24,026,070 126,582	20,738,466	15
996,131	139,199	1,135,330	1,527,202	10
473,771	56,147	529,918	547,154	10
1,801,718	176,104	1,977,822	1,775,122	10
11,262	283	11,545	2,550	10
738,359 348,414	86,111	824,470	774,999	10
402,913	41,327	389,741	371,946	10
5,007,848	843,893	472,660 5,851,741	3,743,070	20
432,287,292	56,778,275			



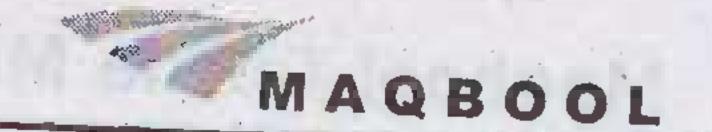
4.2 Depreciation for the year has been allocated as under

	Note	2010 Rupees	2009 Rupees
Cost of goods sold Administrative expenses	22 25	57,252,762 1,366,316	55,701,848
		58,619,078	56,778,275

Revaluation of land had been carried out on March 18, 2009 by independent valuer M/s Consultancy Support and Services (Private) Limited on the basis of depreciated replacement value. Had there been no revaluation, the related figures of freehold land at June 30, 2010 would have been as follows:

	Cost	Accumulated Depreciation Rupees	Written down value
	7,254,115		7,254,115
4.4 Capital work-in-progress			
	Note	2010 Rupees	2009 Rupees
Plant and machinery		3,880,274	1,849,786
		3,880,274	1,849,786
LONG-TERM INVESTMENTS Held-to-maturity			
Term finance certificates Less: Current maturity	5.1	868,086 (348)	868,434 (348)
		867,738	868,086

These Term Finance Certificates (TFCs) are issued by Bank Al-Habib Ltd. on August 05, 2004 having final maturity date of July 15, 2012. These carried mark up at the rate 6 Month KIBOR+1.5% per annum. The market value of TFCs as at June 30, 2010 was Rs. 868,086 (2009: Rs. 868,434).

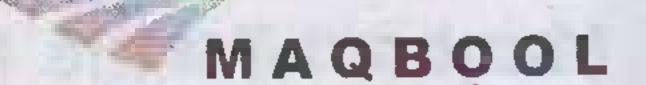


6.	S	TOCK-IN-TRADE

		Note	2010 Rupees	2009 Rupees
	Raw materials Work-in-process Finished goods		73,749,786 21,160,985	209,817,786 21,973,909
	- Yarn - Waste		69,984,000	48,432,019 6,083,747
			71,681,000	54,515,766
7.	TRADE DEBTS-Considered good		166,591,771	286,307,461
	Foreign - secured against export bills Local - unsecured		34,008,415 80,650,739	230,770,176 46,185,797
OPON			114,659,154	276,955,973
earlin	7.1 Trade receivables are non-interst be			

- Trade receivables are non-interst bearing and are generally on 15 to 25 day terms.
- Trade receivables consist of a large number of customers, spread across 7.2 geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable, where appropriate.
- Trade debts include debtors with a carrying amount of Rs. 2.399 million 7.3 (2009: Rs. 0.239 million) which are past due at the reporting date but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable.

	1.3.1 Aging of amounts past due but not	impaire		
	90 - 120 days 120 days and above		1,803,982 595,629	150,343 89,210
8.	LOANS AND ADVANCES		2,399,611	239,553
	Advance to employees - considered good Advances to suppliers - considered good Corporate assets tax paid under protest Minimum tax deposited under protest Due from associated undertaking	28.5 28.4 8.1	1,723,869 5,824,130 848,021 26,000 8,422,020	1,371,408 6,767,058 1,440,000 848,021 10,426,487
	8.1 Due from associated undertaking	S		
	Mehmooda Maqbool Mills Limited	* 1	26,000	



9.	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS				
		Note	2010 Rupees	2009 Rupees	
	Electricity charges paid under protest Short-term repayments	20.1	219,606 335,920	219,606 500,386	
			555,526	719,992	
10.	TAXREFUNDS DUE FROM GOVERNME	NT			
	Salestaxrefundable		9,204,721	11,440,349	
11.	OTHERRECEIVABLE				
	Subsidy receivable from State Bank of Pakistan (SBP)	11.1	541,436	1,941,231	

This represents subsidy receivable at the rate of 3% of markup on long-term loans for spinning sector as per SBP Circular No. 4 dated March 22, 2010. During the current year, the Company has claimed subsidiary of Rs. 1.8 million (2009: Rs. 7.6 million) out of which Rs. 1.23 million (2009: Rs. 5.7 million) has been received.

#### 12. CASHANDBANKBALANCES

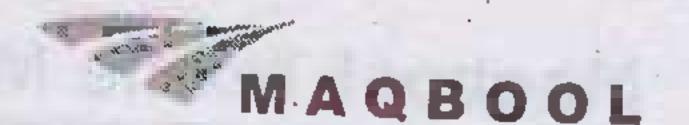
Cash in hand Cash at banks - current accounts	183,297	252,907 7,952,295
	494,020	8,205,202

#### 13. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

- 13.1 There were no movements during the reporting year.
- 13.2 The Company has one class of ordinary shares which carry no right to fixed income. The share holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All share rank equally with regard to the Company's residual assets.

# 14. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Surplus on revaluation as at July 01 Revaluation surplus during the year	150,268,385	150,268,385
	150,268,385	150,268,385



# 15. LONG-TERM FINANCING From banking companies - secured

	Note	2010 Rupees	2009 Rupees
Demand Finance - I  Demand Finance - II  LTF - EOP - I  LTF - EOR - II  Term Finance	15.1 15.2 15.3 15.4 15.5	35,492,064 15,435,964 1,174,933 4,972,330 60,000,000	
From related parties - unsecured	15.7	117,075,291 62,806,984	141,441,281 62,806,984
Less: current portion		179,882,275 (51,449,874)	.1
		128,432,401	119,882,277

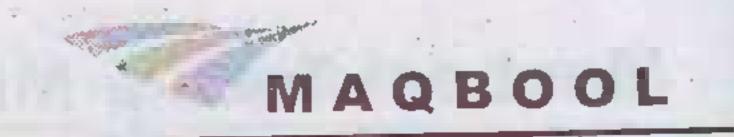
15.1 The facility has been obtained against total limit of Rs. 330 million for installation of spinning unit-II and BMR of spinning unit I. On June 2006, an amount of Rs. 9.393 million has been converted into Long Term Finance for Export Oriented Projects.

It is secured against first equitable mortgage charge on present and future fixed assets of the company and personal guarantees of certain directors of the Company. It carries mark up at the rate of 6 month KIBOR+1% (2009: 6 month KIBOR + 1%). It is repayable in 9 half yearly equal installments ending on July 02, 2010 with a grace period of one year from the date of disbursement.

The facility has been obtained against total limit of Rs. 50 million for expansion in spinning unit-II. On March 15, 2007, an amount of Rs. 14.917 million has been converted into Long Term Finance for Export Oriented Projects.

It is secured against first equitable mortgage charge on present and future fixed assets of the company and personal guarantees of certain directors of the company. It carries mark up at the rate of 6 month KIBOR +1.25% (2009: KIBOR + 1.25%). It is repayable in 9 half yearly equal installments ending on February 01, 2012 with a grace period of one year from the date of disbursement.

15.3 On June 2006, the finance of Rs. 9.393 million had been created out of sanctioned limit of Demand Finance for Rs. 50 million. The amount of finance has been worked out following LTF/EOP scheme of SBP only for import of those assets which qualify under the scheme. It carries mark-up at SBP rate +3% i.e. 7% (2009: 7%). It is repayable in 9 semi-annual equal installments commencing from June 30, 2006 and is secured against 1st equitable mortgage charge on present and future fixed assets of the company and personal guarantees of certain directors of the company.



- 15.4 On March 2007, the finance of Rs. 14.917 million had been created out of sanctioned limit of Demand Finance for Rs. 330 million. The amount of finance has been worked out following LTF/EOP scheme of SBP only for import of those assets which qualify under the scheme. It carries mark-up at SBP rate +3% i.e. 7% (2009: 7%). It is repayable in 9 semi-annual equal installments commencing from November 09, 2007 and is secured against 1st equitable mortgage charge on present and future fixed assets of the company and personal guarantees of certain directors of the company.
- On April 2010, the finance of Rs. 60 million had been created out of sanctioned limit of Term Loan of Rs. 60 million. It carries mark-up at 3-month average KIBOR +1.75%. It is repayable in 16 annual equal instalments commencing from July 01, 2011 and is secured against first pari passu charge over the current assets of the Company for Rs. 80 million and ranking charge on present and future fixed assets of the Company for Rs. 80 million.
- 15.6 The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows

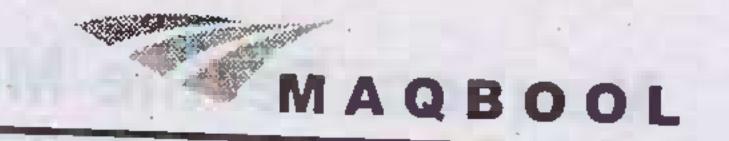
		Note	2010 Rupees	2009 Rupees
	6 months or less - Short-term borrowings - Long-term loans		231,116,680 117,075,291	620,400,609 141,441,281
			348,191,971	761,841,890
15.7	From related parties - unsecured			
	Chief executive officer Directors Relatives of directors		12,834,984 48,192,000 1,780,000	12,834,984 46,317,000 3,655,000
		*	62,806,984	62,806,984
			- availability	of funds with the

These interest free loans are repayable in future on availability of funds with the Company.

15.8 Management considers that there is no significant non compliance of agreements with financial institutions, where the Company is exposed to penalties.

#### 16. DEFERRED LIABILITIES

Staff gratuity Deferred taxation	16.1 16.2	9,537,372	6,791,238
		34,322,666	16,980,719

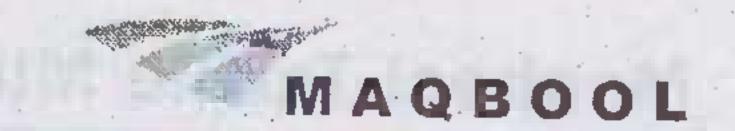


Ope	rement in the net liability the balance sheet is as following liability	recognized in lows:		
Cha	ning liability			
	rge for the year		6,791,238 8,043,034	6,075,94 <sup>2</sup> 7,190,097
Payı	ments during the year		14,834,272 (5,296,900)	13,266,038
Clos	ing liability		9,537,372	6,791,238
The	amount recognized in the as follows:	balance sheet		
Pres Unre	ent value of defined benefit cognized actuarial loss	obligation	10,103,355 (565,983)	7,357,221 (565,983)
Netli	ability at the end of year		9,537,372	6,791,238
Thealos	mount recognized in the ss account is as follows:	profitand		
	ent service cost est cost		7,160,167	6,393,066 797,031
			8,043,034	7,190,097
Expe	nse for the year is recogni	ized in the		
fol	lowing line items of profit	and loss account		
	of goods sold	22.2	7,234,012	64,446,484
Admir	nistrative expenses	25.1	809,022	743,613
			8,043,034	7,190,097
Principality	pal actuarial assumptions doubt under Projected Uns:	used in the actunit Credit Method	arial valuation as at June 30	of the schen 0, 2009 are
	int rate (per annum)		12%	12%
Expec	ed rate of increase in salari	es (per annum)	11%	11%
Averag	e expected remaining work	cing life time		
	mployees		4 Years	4 Years



#### Amounts for the current and previous four years are as follows:

	2010	2009	20	08 20	07 2006				
	***************************************		Rupe	es					
Defined benefit obligation	10,103,355	7,357221	6,641,9	24 1,146,8	31 3,501,932				
Unrecognised actuarial									
(losses)	(565,983)	(565,983)	(565,98	33) (77,47	(4) (66,064)				
				- 2010	2009				
			Note	Rupees	Rupees				
16.2 Deferred tax	ation								
Deferred tay	liability on tax	kable tempora	rv differen	ces					
		tion allowance		43,746,419	68,461,470				
Deferred tax	Deferred tax asset on deductible temporary differences								
- Carryforwa	ard tax losses			(17,375,537)	(56,513,058)				
Provisions				(1,585,588)	(1,758,931)				
				(18,961,125)	(58,271,989)				
				24,785,294	10,189,481				
17. TRADEAND OTHE	RPAYABLES								
Due to associated u	indertakings		17.1	66,080,484	63,740,983				
Creditors				28,882,589	35,475,978				
Advance payments				3,921,844	2,775,182				
Accrued liabilities				40,911,348	48,013,593				
Tax deducted at so	urce		2 D	235,435	319,242				
Unclaimed dividend				3,564,216	3,564,216				
Workers' profit parti	cipation fund			5,818,472	516,763				
Workers' welfare fu	nd			2,404,305	229,117				
Others					205,950				
				151,818,693	154,841,024				



11	17.1 Due to associated undertakings		
		2010 Rupees	2009 Rupees Restated
	Shah Shams Cotton Industries (Private) Limited Mehmooda Maqbool Mills Limited Allawasaya Textile & Finishing Mills Limited	66,080,484	57,308,967 6,385,161 46,855
		66,080,484	63,740,983
18.	ACCRUED MARKUP		
	- Long term financing - Short term borrowings	3,955,208	4,760,520 24,364,376
		17,369,113	29,124,896
19.	SHORT TERM BORROWINGS Under mark-up arrangements - secured		
	From banking companies Running Finance Cash finance Foreign currency loan	179,250,842 51,865,838 231,116,680	227,708,769 30,540,270

The Company can avail finance facilities from various commercial banks under mark-up arrangements aggregating to Rs. 1,104 million (2009: Rs. 1,219 million). These facilities are subject to mark-up ranging from 3% to 15.01% (2009: 4.02% to 18% per annum). These facilities are secured against pledge of raw materials and finished goods, hypothecation charge over present and future current assets of the Company, lien on documents of title to goods and personal guarantees of certain directors of the Company. Facilities available for opening letters of credit and guarantee aggregating to Rs. 192 million (2009: Rs. 192 million) of which facilities remained un-utilised at the year end were Rs. 192 million (2009: Rs. 190 million).

These facilities are expiring on various dates by December 31, 2010.



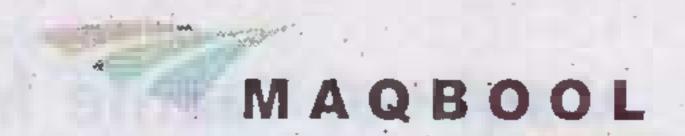
#### 20. CONTINGENCIES AND COMMITMENTS

#### Contingencies

- 20.1 WAPDA, during the accounting year ended September 30, 1998, raised demand for electricity charges amounting to Rs. 0.220 million for the period from July, 1992 to December, 1994. The company had not accepted the said demand and filed a suit against this demand before the Court of Civil Judge-1st Class, Kot Addu. The case is pending for final decision. However, on the Court's instructions Rs. 0.220 million were deposited with it. This amount has been grouped under "Trade deposits and short term prepayments" (note 9).
- 20.2 A fire broke out in the stock of cotton bales stored in the open compound and godowns at the premises of the company's mills on April 13, 2000. Surveys, through the Surveyors appointed by the insurers, were conducted. The total insurance claim of Rs. 100,684,299 was ascertained and accepted by a consortium of Habib Insurance Company Pakistan Ltd., (HICL), Premier Insurance Company of Pakistan Ltd. (PICPL), and Pakistan General Insurance Company Limited (PGIL). HICL and PICPL satisfied the total insurance claims to the extent of their shares. The portion of insurance claim receivable from PGIL, however, remained due till September 30, 2000.

As the insurance claim receivable from PGIL to the tune of Rs. 49.618 million was doubtful of recovery, it was written off as at September 30, 2000. The company, however served legal notice and also filed recovery suits against PGIL. Presently, the suits filed against PGIL are pending adjudication before the Honourable Lahore High Court and Civil Court, Lahore. The company also lodged complaint against PGIL with APTMA on which the PGIL through its council has served legal notice to the company and its directors for the damages. The legal notice was duly replied. However, the PGIL has also filed suit against the company and its directors which is pending adjudication in the court of Civil Judge, Lahore.

The company during the year ended September 30, 1999, filed a writ petition with the Lahore High Court Multan Bench against the Chairman, Administrator town committee Muzaffargarh praying that the respondent be ordered to implement the orders of the Lahore High Court regarding the refund of the Zila Tax Rs. 886,715. In this respect an amount of Rs. 161,013 received against Zila Tax. The refund of the balance amount of Rs. 725,702 is still pending.



- The Company has imported textile machinery availing exemption from custom duty and sales tax on importation thereof under S.R.Os. 554 (1)/98, 987(1)/99 and 369(1)/2000. The company has submitted indemnity bonds to the Customs Authorities in this regard. In case the conditions of aforementioned S.R.Os. are violated, the amount of customs duty and sales tax exempted aggregating Rs. 65.283 million shall be recoverable by the Customs Authorities along with such penalties imposed in this regard under Section 202 of the Customs Act, 1969.
- Refer contents of note 28.3 and 28.4.

#### Commitments

Commitments outstanding at the end of the year in respect of irrevocable letter of credit for import of machinery amounting to Rs. 0.414 million (2009: Rs. 1.85 million).

#### SALES 21.

	2010 Rupees	2009 Rupees
Local: Yarn Waste Doubling process income	1,615,232,402 37,687,380 11,997,125	882,524,694 39,647,517 12,898,967
	1,664,916,907	935,071,178
Export	519,061,584	872,242,849
	2,183,978,491	1,807,314,027



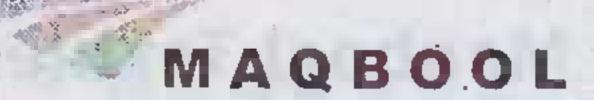
22.	COSTOFGOODSSOLD		2010	2009
		Note	Rupees	Rupees Restated
	Raw materials consumed Salaries, wages and benefits Stores consumed Packing materials consumed Power and fuel Repair and maintenance Insurance Depreciation Others	22.1 22.2	1,369,255,311 125,124,130 20,784,765 27,431,101 258,939,859 2,266,699 4,855,375 57,252,762 40,485	1,181,986,079 107,535,351 25,698,033 33,516,648 205,615,243 2,305,209 4,598,668 55,701,848 13,000
	Work-in-process		1,865,950,487	1,616,970,079
Opening stock Closing stock		21,973,909 (21,160,985)	20,668,000 (21,973,909)	
			812,924	(1,305,909)
	Cost of goods manufactured		1,866,763,411	1,615,664,170
	Finished goods Opening stock Purchases Closing stock		54,515,766 40,972,090 (71,681,000)	35,662,000 39,192,200 (54,515,766)
			23,806,856	20,338,434
			1,890,570,267	1,636,002,604
	22.1 Rawmaterials consumed			
	Opening stock Purchases and purchase ex	penses	209,817,786 1,231,938,100	167,378,120 1,223,120,536
	Closingstock		1,441,755,886 (73,749,786)	1,390,498,656 (209,817,786)
			1,368,006,100	1,180,680,870
	Cottoncess		1,249,211	1,305,209
			1,369,255,311	1,181,986,079

22.2 These include Rs. 7,234,012 (2009: Rs. 6,446,484) in respect of staff retirement benefits.



# 23. OTHER OPERATING INCOME

Income from financial assets	2010 Rupees	2009 Rupees
Exchange gain  Profit on term-finances	5,850,684	7,973,474
Income from assets other than financial a	5,937,519 ssets	8,060,343
Miscellaneous income	87,712	131,529
	87,712	131,529
	6,025,231	8,191,872
DISTRIBUTION COST  Export expenses		
(including freight on export sales) Export development surcharge Freight, forwarding and others Commission	17,851,251 1,749,806 2,155,935 21,949,072 43,706,064	27,625,219 2,264,105 2,109,127 20,472,568 52,471,019



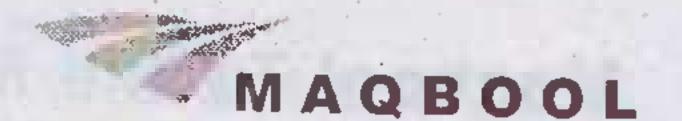
#### 25. ADMINISTRATIVE EXPENSES

	Note	2010 Rupees	2009 Rupees
			rapees
Director's meeting fee	4	6,500	33,000
Salaries and benefits	25.1	15,724,194	12,312,553
Vehicles' running and maintenance		3,263,089	2,587,292
Traveling and conveyance		4,505,766	2,656,505
Printing and stationery		1,050,331	734,543
Communication		1,571,864	2,139,429
Electricity and gas		2,336,535	2,163,250
Rent, rates and taxes		51,600	51,200
Repair and maintenance		542,696	793,267
Entertainment		664,271	787,130
Subscription		1,072,863	355,924
Insurance		408,907	328,955
Donation	25.2	292,000	145,500
Advertisement		69,965	98,080
Depreciation	4.2	1,366,316	1,076,427
Auditors' remuneration	25.3	640,000	515,000
Legal and professional		620,731	169,685
Others		463,905	574,177
		34,669,533	27,521,917

- 25.1 These include Rs. 809,022 (2009: Rs. 743,613) in respect of staff retirement benefits.
- 25.2 None of the directors or their spouses had any interest in the donee's fund.

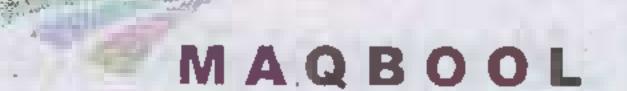
#### 25.3 Auditor's remuneration

Statutory audit fee	500,000	375,000
Half yearly review	75,000	75,000
Tax services	50,000	50,000
Certification and other services	15,000	15,000
	640,000	515,000



26.	OTHER OPERATING EXPENSES			
		Note	2010 Rupees	2009 Rupees Restated
	Workers' Profit Participation Fund Workers' Welfare Fund Interest on WPPF		5,814,926 2,175,188 67,233	516,763 229,117
			8,057,347	745,880
27.	FINANCE COST	· · · · · · · · · · · · · · · · · · ·		
	Mark-up/interest on: Long-term financing Short-term borrowings		10,783,719 82,925,165	14,327,210 98,544,488
	Bankcharges		93,708,884 802,026	112,871,698 2,164,874
			94,510,910	115;036,572
28.	TAXATION			
	Current Prior year Deferred	28.5	13,474, <del>8</del> 90 1,440,000 14,595,812	8,722,428 35,935 (8,117,406)
			29,510,702	640,957

- 28.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as the significant portion of total income of the Company falls under final tax regime and hence tax has been provided under sections 154 and 169 of the Income Tax Ordinance, 2001.
- The Income Tax Assessment of the company has been completed up to the Tax Year 2009.
- 28.3 The taxation officer has finalized the assessment for the assessment year 2002-03 by disallowing certain expenses. The Company filed an appeal before the commissioner Income Tax (Appeal), who in his order allowed Rs. 0.779 Million out of total disallowed expenses of Rs. 8.280 Million. The department has filed second appeal before the ITAT for the assessment year 2002-03 which is rejected and effects of appeal are awaited.
- The Company, in view of the Supreme Court of Pakistan's Judgment dated 04, June, 1997 is not liable to pay minimum tax under section 80-D of the Repealed income tax ordinance, 1979. Consequently, Minimum Tax paid under protest and tax deducted at source till September 30, 1999 were accounted for as loans and advances (note 7).



28.5 Provision for Corporate Assets Tax levied vide the Finance Act, 1991 amounting Rs. 1.440 million inclusive of additional tax of Rs. 0.440 million has been made in these financial statements. The Company challenged the validity of these levies through a writ petition filed with the Lahore High Court Multan Bench. However, the demanded Corporate Assets Tax is not refundable in the view of the management, therefore expensed out during the year.

#### 29. 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 Restated
Profit/(loss) for the year	Rupees	88,978,899	(16,913,050)
Weighted average number of shares outstanding during the year		16,800,000	16,800,000
Earnings per share - basic and diluted	Rupees	5.30	(1.01)

#### 30. FINANCIAL RISK MANAGEMENT

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30.1 The Company's principal financial liabilities comprise long-term financing, short-term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has trade debts, loans and advances, other receivables, cash and bank balances and long-term deposits that arrive directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and price risk), credit risk and liquidity risk.

#### 30.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 122,786,024 (2009: Rs. 292,899,987), the financial assets which are subject to credit risk amounted to Rs. 122,602,907 (2009: Rs. 292,647,080. The Company manages credit risk in trade debts by assigning credit limits to its customers and thereby does not have significant exposure to any individual customer.

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



	Note	2010 Rupees	2009 Rupees
Assets as per balance sheet Long-term investments Deposits Trade debts Loans and advances Other receivables Bank balances		868,086 4,499,639 114,659,154 1,723,869 541,436 310,723	868,434 3,557,739 276,955,973 1,371,408 1,941,231 7,952,295
30.2.1Creditrisk rolated to		122,602,907	292,647,080

# 30.2.1 Credit risk related to receivables

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade debts consists of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines conterparties as having similar characteristics if they are related entities.

# 30.3 Liquidity Risk Management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

# 30.3.1 Liquidity and Interest Risk Table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.



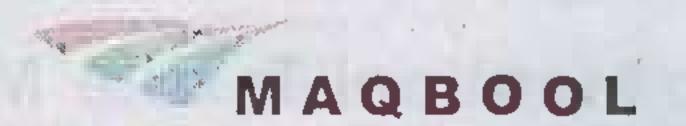
Weighted Average effective rate of interest	Less than 1 - 3 1 month months	3 months - 1 years 1 -5 years R U P E E S	more than 5 years Total
Long-term finance 7% to 14.26% Trade and other payables Accrued mark-up Short-term borrowings3% to 15.01%	- - 17,369,113	51,449,874 128,432,401 139,438,637 — ———————————————————————————————————	- 179,882,275 - 139,438,637 - 17,369,113 - 231,116,680
	- 17,369,113	422,005,191 128,432,401	- 567,806,705
Weighted Average effective rate of interest	Less than 1 - 3 1 month months	3 months - 1 years 1 -5 years R U P E E -S	more than 5 years Total
Long-term finance 7% to 15.01% Trade and other payables Accrued markup Short-term borrowings4.02% to 18%	- 29,124,896	84,365,988 57,075,293 151,000,720 — 620,400,609 —	62,806,984 204,248,265 - 151,000,720 - 29,124,896 - 620,400,609
	- 29,124,896	855,767,317 57,075,293	62,806,984 1,004,774,490

### 30.4 Market Risk Management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

## 30.4.1 Interest Rate Risk Management

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will effect the value of financial instruments. The Company has significant amount of interest based financial assets and financial liabilities which are largely based on variable interest / mark-up rates, therefore the Company has to manage the related finance cost which exposes it to the risk of 3 months and 6 months KIBOR.



#### 30.4.2 Interest Rate Sensitivity

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Company's profit for the year would have been lower by Rs. 4.109 million (2009: Rs. 8.246 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

#### 30.5 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, the Company is not materially exposed to foreign currency risk on assets and liabilities. As at June 30, 2010, the total foreign currency risk exposure was Rs. 34.008 million (2009: Rs. 230.770 million) in respect of trade debts and Rs. Nil (2009: Rs. 35.540 million) in respect of foreign currency loan.

#### 30.6 Foreign Currency Sensitivity Analysis

At June 30, 2010, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been higher / lower by Rs. 3.417 million (2009: Rs. 19.974 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency trade debts and US Dollar denominated borrowings. Profit / (loss) is less sensitive to movement in Rupee / foreign currency exchange rates in 2010 than 2009 because of the increase amount of foreign currency borrowings.

#### 30.7 Determination of fair values

#### 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.

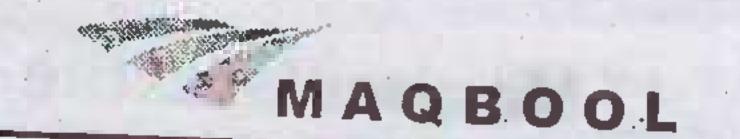
The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

#### 30.8 Financial Instruments by Category

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

Loansand receivables	Held to maturity Rupees	Total June 30, 2010
	868,086	868,086
4,499,639		4,499,639
114,659,154		114,659,154
1,723,869		1,723,869
541,436		541,436
494,020		494,020
121,918,118	868,086	122,786,204
	4,499,639 114,659,154 1,723,869 541,436 494,020	receivables maturity Rupees

		Financial Liabilities measured at amortized cost	
Liabilities as per balance sheet Long-term financing Short-term borrowings Accrued mark-up Trade and other payables		179,882,275 231,116,680 17,369,113 139,438,637	179,882,275 231,116,680 17,369,113 139,438,637
		567,806,705	567,806,705
	Loans and receivables		Total June 30, 2009
Assets as per balance sheet Long-term investment Deposits Trade debts Loans and advances Other receivables Cash and cash bank balances	3,557,739 276,955,973 1,371,408 1,941,231 8,205,202	868,434	868,434 3,557,739 276,955,973 1,371,408 1,941,231 8,205,202
	292,031,553	868,434	292,899,987
Liabilities as perbalance sheet		Financial Liabilities measured at amortized cost Rup	Total June 30, 2009 ees
Long-term financing Short-term borrowings Accrued mark-up Trade and other payables		204,248,265 620,400,609 29,124,896 151,000,720	204,248,265 620,400,609 29,124,896 151,000,720
		,004,774,490 1	,004,774,490



# 31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

Particulars  Managerial	Chief Executive Jur	Directors ne 30, 2010		Chief Executive Ju	Directors une 30, 200	Executives 9
remuneration Utilities	158,867	150,325	1,830,000	135,436	128,532	1,800,000
	158,867	150,325	1,840,000	135,436	128,532	1,800,000
No. of persons			3			3

- Chief executive officer and executive directors are provided with Company maintained cars and utilities at residence.
- Meeting fee amounting Rs. 6,500 (2009: Rs. 24,000) was paid to non-executive directors and Rs. Nil (2009: 9,000) was paid to executive directors of the Company.

# 32. TRANSACTIONS WITH RELATED PARTIES

32.1 Related parties comprise of associated undertakings and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due to associated undertakings are shown under long term financing (refer note 15), trade and other payables (refer note 17) and amount due from associate undertaking is shown under loans and advances (refer note 8). Remuneration of key management personnel is disclosed in note 31. Other significant transactions with related parties are as follows:

	2010 Rupees	2009 Rupees
Purchase of goods	382,903,389	354,098,428

32.2 All transactions with related parties have been carried out on commercial terms and conditions.

		2010 Rupees	2009 Rupees
PLANT CAPACITY ACTUAL AND PRODUCTION  Spinning Unit-1			
Spindles installed and worked Shift worked Standard production after conversion into 20's count Actual production of yarn after conversion into 20's count	No.	18,336	18,672
	No.	1,077	1,075
	Kgs	6,202,118	5,975,052
	Kgs	4,816,825	5,138,171
Spinning Unit-II  Spindles installed and worked Shift worked Standard production after conversion into 40's PC count Actual production of yarn after conversion into 40's PC count	No.	27,864	25,800
	No.	1,084	1,089
	Kgs	3,975,305	6,372,218
	Kgs	3,730,163	5,487,830

It is difficult to describe precisely the production capacity in spinning mills since it fluctuates widely depending on various factors, such as count of yarn spun, spindles speed, twist and raw materials used, It also varies-according to the pattern of production adopted in a particular year.

## DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

by the Board of Directors of the Company.

#### GENERAL **36.**

36.1 Non-adjusting events after the balance sheet date

The Board of Directors have proposed dividend for the year ended June 30, 2010 of Rs.2.25 per share amounting to Rs. 37.8 million at their meeting held on 8<sup>th</sup> of October, 2010 for approval from the members at the Annual General Meeting to be held on October 30, 2010. These financial statements do not reflect this dividend payable which will be accounted for in the period in which it is approved.

36.2 Figures have been rounded-off to the nearest rupee except stated otherwise.

CHIEF FINANCIAL OFFICER

# THE COMPANIES ORIDNANCE 1984 (Section 236(1) and 464) PATTERN OF SHAREHOLDING

1. Incorporation Number 0020652

2. Name of the Company Maqbool Textile Mills Limited

3. Pattern of holding the share held by the shareholders as at 30.06.2010

CATEGORIES	PH	YSICAL	C	DC	GRA	ND TOTAL	
H	No. of olders	No. of Shares	No. of Holders	No. of Shares	No. of Holders		%age
1-100	22	2,200	13	1,126	35	3,326	0.02
101-500	23,6	112,000	135	62,238	.371	174,238	1.04
501-1000	67	65,800	67	66,200	134	132,000	0.79
1001-5000	25	60,600	65	182,836	90	243,436	1.45
5001-10000	. 5	40,000	. 12	97,500	17	137,500	0.82
10001-15000	<del>-</del> .		5	66,500	5	66,500	0.40
15001-20000	- (-)		2	31,500	2	31,500	0.19
20001-25000			2 .	42,500	2	42,500	0.25
25001-35000	1	28,600	1	35,000	2	63,600	0.38
45001-50000			1	48,600	- 1.1.	48,600	0.29
150001-160000			1	158,000	1	158,000	0.94
160001-170000	2	338,000		· · ·	2	338,000	2.01
175001-200000	. 3	528,000			3	528,000	3.14
200001-500000	1_	209,000	. 1	391,000	2	600,000	3.57
500001-860000	. 7	4,728,915	· .—		1- 7	4,728,915	28.15
1150001-1200000	4	4,673,585	7		4	4,673,585	27.82
1400001-1450000			. 1	1,448,000	1	1,448,000	8.62
1665001-1670000			1	1,666,089	1	1,666,089.	9.92
1715001-1720000			1	1,716,211	1	1,716,211	10.22
TOTAL	373	10,786,700	308	6,013,300	681	16,800,000	100

#### Category wise Pattern of Total Shareholding

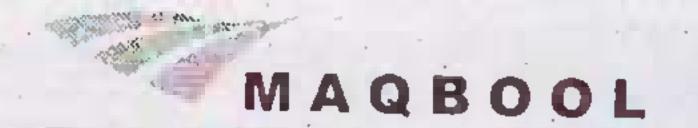
	Categories of Shareholders	No. of Shareholders	No. of Shares	%age
1	Individuals	639	1,012,300	6.03
2	Investment Companies	1	1,500	0.01
3	Insurance Companies	2	392,500	2.34
4	Joint Stock Companies	15	1,471,300	8.76
5	Financial Institutions	4	3,391,300	20.19
6	Directors and Sponsors	20	10,531,100	62.69
	TOTAL	681	16,800,000	100.00



# PATTERN OF SHAREHOLDING AS ON JUNE 30, 2010

# ADDITIONAL INFORMATION

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies, Undertakings & Related P	arties	Nil
NITandICP		
National Bank of Pakistan-Trustee Department	2	3,382,300
		0,002,000
Directors		
Mian Tanvir Ahmad Sheikh		1,151,146
Mrs. Romana Tanvir Sheikh		600,000
Mian Anis Ahmad Sheikh	1	1,181,146
Mrs. Rameen Anis Sheikh		600,000
Mian Idrees Ahmad Sheikh		1,160,146
Mian Aziz Ahmad Sheikh		1,181,147
Mr. Raza Abbas Jafari (Rep NIT)		3,382,300
hief Executive Officers		
Mian Tanvir Ahmad Sheikh		1,151,146
irectors'/CEO's Spouses	20	10,531,100
xecutives		Nil
ublic Sector Companies Corporations		Nil
on-Banking Finance Institutions		
Insurance Companies, Modarabas and Mutual Funds		
		392,500
hareholders Holding 10% or more voting interest		
Mr. Raza Abbas Jafari (Rep NIT)		



# FORM OF PROXY

1,
of
being a member of MAQBOOL TEXTILE MILLS LIMITED, hereby appoint.
of
as my proxy in my absence to attend and vote for me and on my behalf at the
(Ordinary or / and Extraordinary as the case may be) General Meeting of the
Company to be held on the and at any
adjournment thereof
As witness my hand this
day of
Signed by the said

Five Rupees Revenue Stamp

#### IMPORTANT

This form of proxy, duly completed, must be deposited at the Company's Head Office 2-Industrial Estate, Multan not less than 48 hours before the time for holding the meeting (Article 76).