Contents

Company Information

BOARD OF DIRECTORS:
Mr. Mussaid Hanif
Chairman/Chief Executive Officer
Mr. Burhan Muhammad Khan
Mr. Arbab Muhammad Khan
Mr. Gauhar Abdul Hai
Mr. Manzar ul Islam
Ms. Tehniyat Mussaid
Ms. Sabah Burhan

AUDIT COMMITTEE:
Ms. Tehniyat Mussaid
Chairman/Member
Mr. Arbab Muhammad Khan
Member
Ms. Saba Burhan
Member

COMPANY SECRETARY:
Mr. Naveed Aleem

CHIEF FINANCIAL OFFICER:
Mr. Gauhar Abdul Hai

AUDITORS:
Anjum Asim Shahid Rahman
Chartered Accountants

LEGAL ADVISOR:
Cornelius Lane & Mufti
Advocate and Solicitors
Nawa-e-Waqt House, 4 Shahrah-e-Fatima Jinnah Road,
Lahore - 54000, Pakistan

BANKERS TO THE COMPANY:
Habib Bank Limited
National Bank of Pakistan
The Bank of Punjab
United Bank Limited
Allied Bank Limited
Faysal Bank Limited
NIB Bank Limited
RBS
Standard Chartered Bank

SHARE REGISTRAR:
THK Associates (Pvt) Limited
Ground Floor, State Life Building No. 3
Dr. Zia-ud-Din Ahmed Road, Karachi
UAN: 021-111-000-322
Fax: 021 - 35655595

MILLS:
1 Kilometer Balloki Bhai Pheru Road, Bhai Pheru
Tel: 0494 – 512007-9, 513103-5
Fax: 0494 - 512010

63 Km Gulshan Adda, Jumber Khurd
District, Kasur

REGISTERED AND HEAD OFFICE:
3rd Floor IEP Building, 97 B/D-I, Gulberg III, Lahore.
Tel: 042 – 35782905
Fax: 042 - 35753202

Notice of Annual General Meeting

Notice is hereby given that the 12th Annual General Meeting of the shareholders of Zephyr Textiles Limited will be held at the Registered Office of the Company, 3rd Floor IEP Building, 97 B/D-I, Gulberg III, Lahore on October 30, 2010, Saturday at 11:00 AM to transact the following business:

1. To confirm the minutes of the last Annual General Meeting dated October 31, 2009.

2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2010 together with the Directors' and Auditor's report thereon.

3. To appoint auditors for the year ending June 30, 2011 and to fix their remuneration. The present Auditors M/S Anjum Asim Shahid Rahman, Chartered Accountants, retire and being eligible offer themselves for reappointment.

4. To transact any other business with the permission of the Chair.

By order of the Board

Lahore:
October 09, 2010

Naveed Aleem
Company Secretary

NOTES:

1. Share transfer books of the company will remain closed from October 30, 2010 to November 07, 2010 (both days inclusive) and no transfer will be accepted during this period.

2. A Shareholder entitled to attend and vote at this meeting may appoint another shareholder as his/her proxy to attend and vote as his/her proxy to attend and vote on his/her behalf. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be received at the registered office of the company, duly stamped, signed and witnessed not later than 48 hours before the meeting.

3. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their Account Number in CDC for verification. In case of corporate entity, the Boad of Directorsresolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

4. In case of proxy for and individual beneficial owner of CDC attested copies of beneficial owner'sNIC or passport, account and participants ID numbers must be deposited along with the form ofproxy. Representatives of corporate members should bring the usual documents required forsuch purpose.

5. Shareholders are requested to nitify and change in their addresses immediately.

Directors' Report

On behalf of the Board of directors, I am pleased to welcome you to the 12th Annual General Meeting of the company and place before you the audited financial statements and Auditors' report for the year ended June 30, 2010.

General market scenario and future prospects

Severe recession in USA and Europe markets led to lower sales and tough competition for suppliers. Textile industry in Pakistan went through difficult situation during the year under review and was very volatile due to various reasons such as record increase in yarn prices, decelerated business volumes and energy crises which had their impact on textile sector on varying degrees. The year under review was the test for the textile sector to survive as per their strength and relative positioning in the market. In a broad preview it looks like that due to recessionary trend in the global markets textile will remain depressed for medium term and situation might improve by the end of 2nd quarter of financial year 2010-11. Consequent to recovery of global market from current recession the textile sector will be benefited as well. This scenario has to be viewed with caution due to very high volatility in the global cotton price.

Operational review

Presently the manufacturing facilities of the company are comprised of 259 weaving machines along with towel processing unit. These facilities are running at about 95% efficiency and are capable of producing wide range of apparel, home furnishing fabrics and towels. The management is making efforts to capture new export market of apparel, home furnishing fabrics and towels.

The towel manufacturing unit alongwith complete finishing process is operational at 83% efficiency and we are targeting our sales to prominent European and American retailers. Currently our production line is for mid to higher end products.

Operating financial results

The operating financial results of the company for the year ended June 30, 2010 are as under:

	June 30, 2010 Rupees	**June 30, 2009** Rupees
Sales	**2,663,771,335**	2,601,772,489
Gross Profit	**247,934,138**	274,640,353
Operating Profit for the year	**220,675,701**	197,597,529
Financial charges	**280,054,361**	353,588,885
(Loss) for the year before taxation	**(59,378,660)**	(155,991,356)
Taxation current	**(3,774,924)**	4,994,289
(Loss)/Profit for the year after taxation	**(63,153,584)**	(150,997,067)

The company has registered net sales of Rs. 2,663.771 million (2009: Rs. 2,601.772 million) which is increased by 2.4% against corresponding year. The gross profit of Rs. 247.934 million (2009: Rs. 274.640 million) depicts decrease of 9.7%. The operating profit of Rs. 220.676 million (2009: Rs. 197.597 million) shows an increase of about 11.8%. The company has incurred loss before taxation of Rs. 59.378 million (2009: Rs. 155.991 million). The net loss for the year after providing taxation is Rs. 63.153 million (2009: Rs. 150.997 million).

The loss for the year is mainly due to following factors:

- Record increase in raw material and other input costs could not be passed on to our customers due to global recessionary trend;

- Increase in gas tariff alongwith the reduced supply of gas to textile industry, which forced us to switched to WAPDA from our Captive gas power generation. Consequently besides higher cost we also faced a load shedding of about 5 to 6 hours daily due to WAPDA's shortfall of electric generation which resulted in severe production losses and higher energy cost during that period;

- Heavy depreciation and financial charges aggregating Rs.462.349 million (2009: Rs. 549.853 million)

Loss Per Share

The Loss Per Share of the company stands at Rs. 1.06 (2009: Rs. 2.54).

Appropriation of Profit

The profit for the year has been appropriated as under:-

	June 30, 2010 Rupees	June 30, 2009 Rupees
(Loss) for the year before taxation	**(59,378,660)**	(155,991,356)
Taxation	**(3,774,924)**	4,994,289
(Loss) for the year after taxation	**(63,153,584)**	(150,997,067)
Accumulated loss/ Unappropriated profit brought forward	**(263,638,177)**	(139,168,390)
Accumulated loss carried forward	**(302,633,449)**	(263,638,177)

Marketing strategy

The manufacturing facilities of the company are running at about 95% efficiency and are capable of producing wide range of apparel, home furnishing fabrics and towels. The management is making efforts to capture new export market of apparel, home furnishing fabrics and towels by targeting our sales to prominent European and American retailers. The recent devaluation of Pak rupees gives competitive edge to us against the neighboring countries and orders/inquiries of their specialized fabrics have now started to shift to Pakistan. This has created a great opportunity and market for the Pakistani weavers and we see a rapidly growing demand for towels in near future.

Restructuring / Rescheduling of long term loans

Due to losses sustained and global recessionary trend the current operations of the company are under stress and will remain under pressure in coming period till such time the current situation improves and restoration of global recession. In lieu of these facts the company is unable to generate sufficient funds from its operations to meet the long term obligations. Therefore the company has got rescheduled/restructured its long term liabilities from its lenders. During the year under review the management has negotiated with its lender the pricing and repayment terms of it's loans. At present the management has successfully negotiated with certain banks wherein advances aggregating Rs. 314 million has been converted into interest free loan which will further reduce interest cost in coming year. The management is of the view that in case the situation improves earlier than projected they will accordingly repay the restructured debts earlier than schedule.

Board of directors

Following are the directors of the company elected in the elections held on August 16, 2009 for the period of three years in accordance with the provisions of the Companies Ordinance, 1984:

1. Mr. Mussaid Hanif Chairman and Chief Executive
2. Mr. Burhan Muhammad Khan Director
3. Mr. Arbab Muhammad Khan Director
4. Mr. Gauhar Abdul Hai Director
5. Mr. Manzar Ul Islam Director
6. Ms. Tehniyat Mussaid Director
7. Ms. Sabah Burhan Director

Compliance of Corporate and Financial Reporting Framework

The Company complies with the requirements of best practices of Corporate and Financial Reporting Framework. In order to protect and enhance the long term value of shareholders, the Board is responsible for overall Corporate Governance of the company including approving strategic policies and decision, capital expenditures, appointing, removing and creating succession policies. In compliance with Code of Corporate Governance following statements are given for corporate and financial reporting framework:

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

b) Proper books of accounts of the company have been maintained.

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

d) International accounting standards as applicable in Pakistan have been followed in preparation of financial statements and there has been no departure therefrom.

e) The system of internal control is sound in design and has been effectively implemented and monitored. Ongoing review will continue in future for further improvement in controls.

f) Without qualifying their report to members the Auditors have drawn attention to note 1.2 to the accounts which indicates that during the year company incurred loss amounting to Rs. 63.153 million and has accumulated loss of Rs. 302.633 million at the year end and its working capital is also negative at the year end. These accounts have been prepared on going concern basis since the management is of the view that there are no significant doubts upon the company's ability to continue as a going concern on the ground that the company will be able to achieve satisfactory level of profitability in the future based on the plans drawn up for this purpose and bringing its liability to serviceable levels. The company has got restructured its long term loans to facilitate the cash flow of the company. Long term loans have been restructured and further, the management has negotiated with its lenders to reduce the borrowing costs which will make the operations more viable.

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

h) Key operating and financial data of last six years is annexed herewith.

Board Meetings

During the year under review, in aggregate 4 meetings of the Board of Directors were held and the attendance of the directors was as under:-

Name of Directors	Meetings attended
Mr. Mussaid Hanif	4
Mr. Burhan Muhammad Khan	4
Mr. Arbab Muhammad Khan	4
Mr. Gauhar Abdul Hai	4
Mr. Manzar Ul Islam	3
Ms. Tehniyat Mussaid	2
Ms. Sabah Burhan	2

Pattern of Shareholding

The statement of shareholding of the company as on June 30, 2010 is annexed with this report. This statement is in compliance with the requirement of the Code of Corporate Governance and the Companies Ordinance, 1984.

Dividend

Considering the financial results of the company for the year ended June 30, 2010 the management has not recommended any dividend for the year ended June 30, 2010.

Audit Committee

The committee comprises of 3 members of whom 2 are non-executive directors. The names of its members are given in Company Information. The committee meets at least every quarter for review of audit report, interim and annual financial results prior to the approval of the Board.

Auditors

The present Auditors M/s Anjum Asim Shahid Rahman, Chartered Accountants, retire and being eligible offer themselves for reappointment as Auditors of the company for the year ending June 30, 2011.

Acknowledgement

Finally the directors would like to extend there gratitude to the employees of the company for their team work, commitments, integrity and professionalism in trying to achieve the targets of the company.

For and on behalf of the Board of Directors

Lahore
October 06, 2010

MUSSAID HANIF
Chief Executive

Key Operating and Financial Data of Last Six Years

	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
PROFIT AND LOSS						
Sales	2,663,771	2,601,772	2,621,107	2,689,532	1,556,113	1,072,621
Gross Profit	247,934	274,640	246,051	277,058	215,912	114,543
Operating Profit plus othe income	220,676	197,598	161,095	212,863	167,133	68,618
Financial & Other charges	280,054	353,589	346,093	196,660	111,766	38,493
Taxation	(3,775)	(4,994)	13,161	13,563	9,333	5,743
Net Profit after tax	(63,154)	(150,997)	(198,159)	2,640	46,034	24,382
BALANCE SHEET						
Capital	594,287	594,287	594,287	594,287	594,287	474,287
Share subscription money	-	-	-	-	-	10,660
Reserves	(302,633)	(263,638)	(139,168)	58,991	56,350	10,317
Surplus on revaluation of fixed assets	292,733	316,891	343,419	-	-	-
Net worth	**584,387**	**647,540**	**798,537**	**653,278**	**650,637**	**495,264**
Long Term Liabilities	459,893	694,155	683,069	721,330	755,933	468,764
Deferred liabilities	139,156	149,118	159,646	9,380	5,012	2,667
Current Liabilities	2,136,492	1,837,373	1,905,319	1,676,626	1,153,050	766,758
Total Liabilities	**2,735,541**	**2,680,646**	**2,748,033**	**2,407,336**	**1,913,995**	**1,238,189**
Total Equity & Liabilitie	**3,319,928**	**3,328,186**	**3,546,570**	**3,060,614**	**2,564,632**	**1,733,453**
Fixed Assets	1,972,805	2,129,639	2,275,204	1,752,408	1,622,115	1,026,638
Long Term Deposits	3,066	2,712	5,009	3,053	4,605	5,424
Current Assets	1,344,057	1,195,835	1,266,356	1,305,153	937,912	701,391
Total Assets	**3,319,928**	**3,328,186**	**3,546,570**	**3,060,614**	**2,564,632**	**1,733,453**
	-	-				
INVESTOR INFORMATION						
Break up value per share (Rs.)	9.83	10.90	13.44	10.99	10.95	10.44
Bonus/Cash dividend (Rs. In '000)	-	-	-	-	-	15,000
Earning Per Share (Rs.)	(1.06)	(2.54)	(3.33)	0.04	0.78	0.75
Return on Equity (%)	(10.81)	(23.32)	(24.82)	0.40	7.08	4.92
Return on Assets (%)	(1.90)	(4.54)	(5.59)	0.09	1.79	1.41
FINANCIAL RATIOS						
Gross Margin (%)	9.31	10.56	9.39	10.30	13.88	10.68
Net Margin (%)	(2.37)	(5.80)	(7.56)	0.10	2.96	2.27
Current Ratio	0.63	0.65	0.66	0.78	0.81	0.91
Leverage	3.80	3.53	2.93	3.34	2.70	2.36
Long Term Debt : Equity	58:42	54:46	51:49	59:41	54:46	49:51

Statement of Compliance with the Code of Corporate Governance

FOR THE YEAR ENDED JUNE 30, 2010

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

The company has applied the principles contained in Code in the following manner:

1. The company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes 2 independent non-executive directors.

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

3. All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.

4. Casual vacancy occurred in the Board during the year was filled within the stipulated period.

5. Statement of Ethics and Business Practice has been circulated to directors and employees of the company.

6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company.

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

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notice of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. The Board arranged orientation course for its directors during the period to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment, as determined by the CEO.

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

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

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

15. The Board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors.

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

17. The Board has set up an effective internal audit function with suitably qualified and experienced staff, conversant with the policies and procedures of the Company and involved in the internal audit function on a full time basis.

18. 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 the Institute of Chartered Accountants of Pakistan.

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

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

For and on behalf of the Board of Directors

Lahore
October 6, 2010

MUSSAID HANIF
Chief Executive

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 Zephyr Textiles Limited ("the Company") to comply with the Listing Regulations of Karachi 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 risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

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

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants
Lahore
Dated: October 6, 2010

Auditors' Report to the Members

We have audited the annexed balance sheet of **Zephyr Textiles Limited** ("the Company") as at **June 30, 2010** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.
We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3.2 with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the loss, its cash flows and changes in equity for the year then ended; and

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

e) Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which indicates that during the year the Company incurred loss amounting to Rs.63.153 million and has accumulated losses amounting to Rs. 302.633 million at the year end. In addition, the Company has negative working capital at the year end. These financial statements however have been prepared on the going concern basis in the expectation of future profitability, restructuring of the Company's debts and undertaking of the financial support by the sponsoring directors, if required.

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants
Lahore
Dated: October 6, 2010

Balance Sheet

	Notes	2010 (Rupees)	2009 (Rupees)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
62,500,000 ordinary shares of Rs. 10/- each		**625,000,000**	625,000,000
Issued, subscribed and paid-up capital	6	**594,287,290**	594,287,290
Accumulated loss		**(302,633,449)**	(263,638,177)
		291,653,841	330,649,113
Surplus on revaluation of property, plant and equipment	7	**292,733,048**	316,891,360
NON-CURRENT LIABILITIES			
Long term financing	8	**459,893,005**	694,154,846
Deferred liabilities	10	**139,156,374**	149,117,855
CURRENT LIABILITIES			
Trade and other payables	11	**374,841,234**	245,729,912
Accrued mark-up	12	**140,459,806**	171,849,998
Short term borrowings	13	**1,283,690,778**	1,320,877,321
Current portion of long term financing	9	**337,500,376**	98,915,875
		2,136,492,194	1,837,373,106
TOTAL EQUITY AND LIABILITIES		**3,319,928,462**	3,328,186,280
CONTINGENCIES AND COMMITMENTS	14		

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

DIRECTOR

As at June 30, 2010

	Notes	**2010 (Rupees)**	2009 (Rupees)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,971,655,066**	2,127,462,426
Capital work in progress	16	**1,150,000**	2,176,712
Long term deposits	17	**3,066,322**	6,350,972
		1,975,871,388	2,135,990,110
CURRENT ASSETS			
Stores, spare parts and loose tools		**71,931,455**	50,665,767
Stock in trade	18	**627,299,143**	608,401,619
Trade debts	19	**317,272,649**	283,583,090
Loans and advances	20	**170,911,372**	106,341,513
Trade deposits and short term prepayments	21	**74,008,016**	69,841,614
Other receivables	22	**71,716,143**	39,050,499
Investments	23	**2,949,119**	5,388,092
Cash and bank balances	24	**7,969,177**	28,923,976
		1,344,057,074	1,192,196,170
TOTAL ASSETS		**3,319,928,462**	3,328,186,280

CHIEF EXECUTIVE

Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2010

	Notes	**2010 (Rupees)**	2009 (Rupees)
Sales - net	25	**2,663,771,335**	2,601,772,489
Cost of goods sold	26	**2,415,837,197**	2,327,132,136
Gross profit		**247,934,138**	274,640,353
Selling and distribution cost	27	**55,921,109**	74,593,804
Administrative expenses	28	**31,604,713**	31,703,536
Other operating expenses	29	**2,956,083**	8,098,112
		90,481,905	114,395,452
		157,452,233	160,244,901
Other operating income	30	**63,223,468**	37,352,628
Operating profit before finance cost		**220,675,701**	197,597,529
Finance cost	31	**280,054,361**	353,588,885
Loss before taxation		**(59,378,660)**	(155,991,356)
Taxation	32	**(3,774,924)**	4,994,289
Loss after taxation		**(63,153,584)**	(150,997,067)
Loss per share - basic and diluted	33	**(1.06)**	(2.54)

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

DIRECTOR

CHIEF EXECUTIVE

Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2010

	2010 (Rupees)	2009 (Rupees)
Loss for the year	**(63,153,584)**	(150,997,067)
Other comprehensive income	**-**	-
Total comprehensive loss for the year	**(63,153,584)**	(150,997,067)

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

DIRECTOR

CHIEF EXECUTIVE

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 (Rupees)	2009 (Rupees)
Cash generated from operations activities			
Cash generated from operations	34	**361,991,825**	496,532,876
Finance cost paid		**(239,341,564)**	(248,956,601)
Taxes paid		**(12,573,821)**	(12,603,800)
Staff retirement benefits - gratuity paid		**(5,301,500)**	(5,195,900)
		(257,216,885)	(266,756,301)
Net cash generated from operating activities		**104,774,940**	229,776,575
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**6,393,161**	5,816,646
Purchase of property, plant and equipment		**(33,538,641)**	(60,012,683)
Long term deposits		**3,284,650**	1,334,000
Dividends, capital gains and income from investments		**314,162**	483,385
Sale proceeds from short term investments		**2,783,801**	4,073,758
Net cash used in investing activities		**(20,762,867)**	(48,304,894)
Cash flows from financing activities			
Short term borrowings - secured		**(37,186,543)**	(122,090,147)
Liabilities against assets subject to finance lease		**-**	(745,376)
Long term financing		**(67,780,329)**	(32,176,643)
Net cash used in financing activities		**(104,966,872)**	(155,012,166)
Net (decrease)/increase in cash and cash equivalents		**(20,954,799)**	26,459,515
Cash and cash equivalents at the beginning of the year		**28,923,976**	2,464,460
Cash and cash equivalents at the end of the year		**7,969,177**	28,923,976

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

DIRECTOR

CHIEF EXECUTIVE

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2010

	Share Capital	Accumulated loss	Total
	(R u p e e s)		
Balance as at July 01, 2008	594,287,290	(139,168,391)	455,118,899
Total comprehensive loss	-	(150,997,067)	(150,997,067)
Current year incremental depreciation - net of tax	-	26,527,281	26,527,281
Balance as at June 30, 2009	594,287,290	(263,638,177)	330,649,113
Total comprehensive loss	-	(63,153,584)	(63,153,584)
Transfer of surplus on revaluation on disposal of property, plant and equipment	-	2,581,357	2,581,357
Current year incremental depreciation - net of tax	-	21,576,955	21,576,955
Balance as at June 30, 2010	**594,287,290**	**(302,633,449)**	**291,653,841**

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

DIRECTOR

CHIEF EXECUTIVE

Notes to the Accounts

FOR THE YEAR ENDED JUNE 30, 2010

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Zephyr Textiles Limited (the "Company") was incorporated in Pakistan on February 26, 1999 as a private limited Company under the Companies Ordinance, 1984. Subsequently on October 04, 2004 it was converted into a public limited Company. The Company is principally engaged in the manufacturing, dying and trading of woven cloth which also includes towels. The registered office of the Company is situated at 3rd Floor IEP Building, 97 B/D-1, Gulberg III, Lahore. The shares of the Company are listed on the Karachi and Lahore Stock Exchanges in Pakistan.

1.2 During the year the Company has incurred loss amounting to Rs. 63.153 million as compared to loss of Rs. 150.997 million for the previous year thereby resulting in accumulated loss of Rs. 302.633 million. As at the year end, the Company's current liabilities exceeded its current assets by Rs. 792.435 million (2009: 641.538 million). Continuation of the Company as a going concern is dependent on its ability to attain satisfactory levels of profitability in the future and continuous support of financial institutions by bringing its liabilities to serviceable levels and availability of adequate working capital through continued support from:

a) the principal lenders of the Company,
b) the sponsors of the Company.

These financial statements have been prepared on a going concern basis on the grounds that the Company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose and bringing its liabilities to serviceable levels and availability of adequate working capital from its lenders and sponsors.

The financial statements consequently do not include any adjustment relating to the realization of the assets and liquidation of its liabilities that might be necessary would the Company be unable to continue as a going concern.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3 BASIS OF PREPARATION

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention as modified by:
- revaluation of certain items of property, plant and equipment
- recognition of certain employee benefits at present value

3.2 Accounting standards, amendments and interpretations, which have been effective and adopted by the Company

Starting from the July, 2009 the Company has changed its accounting policies in the following areas;

- IAS 1 (Revised) - Presentation of financial statements (effective for annual periods beginning on or after January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

The Company has opted to present two statements; a profit and loss account (income statement) and a statement of comprehensive income. Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on the earnings per share.

- IAS 23 (Amendment) 'Borrowing costs' (effective for annual periods beginning on or after January 1, 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Company's current accounting policy for borrowing costs is in compliance with this amendment and therefore there is no effect on the financial statements.

- IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after January 1, 2009). The amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings per share.

- IFRS 8 – Operating Segments (effective for annual periods beginning on or after January 1, 2009). This IFRS replaces IAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes, and introduced detailed disclosures regarding the reportable segments and products. Although, this standard does not require segment information to be presented in separate financial statements, the Company has voluntarily opted to present segment information in these financial statements. As the changes in this standard only result in additional disclosures, there is no impact on earnings per share.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after January 1, 2010). The IASB provided additional optional exemptions for first-time adopters of IFRSs that will permit entities not to reassess the determination of whether an arrangement contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Company's operations.

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after July 1, 2010). The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7. The amendment is not relevant to the Company's operations.

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2009 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued (effective for annual periods beginning on or after January 1, 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after January 1, 2010) The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is unlikely to have an impact on Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after January 1, 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 17 Leases (effective for annual periods beginning on or after January 1, 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is unlikely to have an impact on Company's financial statements.

- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after January 1, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after January 1, 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after January 1, 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Company's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after July 1, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. The amendment is not relevant to the Company's operations.

3.4 Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010). The IASB issued amendments to various standards effective. Below is a summary of the amendments that are effective for either annual periods beginning on or after 1 July 2010 or annual periods beginning on or after 1 January 2011.

- Improvements to IFRSs 2010 – Amendments to IFRS 3 Business Combinations (effective for accounting periods beginning on or after July 1, 201 0). The amendments clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards.

- Improvements to IFRSs 2010 – Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 1, 2010). The amendments clarify that the consequential amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. These amendments are unlikely to have an impact on the Company's financial statements.

- IAS 24 Related Party Disclosures (revised 2009) (effective for accounting periods beginning on or after January 1, 2011). The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have an impact on the Company's financial statements other than increase in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after January 1, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2010 – IFRS 1 First-time Adoption of IFRSs (effective for accounting periods beginning on or after January 1, 2011). The amendments clarify that IAS 8 is not applicable to changes in accounting policies occurring during the period covered by an entity's first IFRS financial statements; introduce guidance for entities that publish interim financial information under IAS 34 Interim Financial Reporting and change either their accounting policies or use of the IFRS 1 exemptions during the period covered by their first IFRS financial statements; extend the scope of paragraph D8 of IFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occurred during the reporting periods covered by its first IFRS financial statements; and introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after January 1, 2011). The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. These amendments would result in increase in disclosures in the financial statements of the Company.

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after January 1, 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendment is not likely to have an impact on Company's financial statements other than increase in disclosure.

- Improvements to IFRSs 2010–IAS 34 Interim Financial Reporting (effective for accounting periods beginning on or after January 1, 2011). The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures. The amendment is not likely to have an impact on Company's financial statements other than increase in disclosure.

- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after January 1, 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendment is not relevant for the Company's operation.

3.5 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Company's functional currency. All financial information presented in Pak Rupees have been rounded to nearest Rupee.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These estimates and underlying assumptions are recognized in the period in which the estimate is revised and in any future periods affected. Following are the significant estimates and judgments made by the management :

a) Useful life and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in the estimates in the future years might affect the carrying amount of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. Revaluation is carried with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value.

b) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 5.1 to the financial statements for the valuation of present value of defined benefit obligation. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

c) Income taxes

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

d) Stock in trade and store and spares

The Company reviews the net realizable value (NRV) and impairment of stock in trade and stores, spare parts and loose tools to access any diminution in the respecting carrying values and whenever required provisions for NRV impairment is made. The difference is provision, if any is recognized.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Staff retirement benefits

Defined Benefit Plan

The Company operates an unfunded gratuity scheme (defined benefit plan) covering all eligible employees, payable at the cessation of employment. Provisions are made to cover the obligation under the scheme on the basis of actuarial valuations and are charged to income.

The latest actuarial valuation has been carried out as at June 30, 2010, under Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate	12%
- Expected rate of salary increase in future	11%
- Average expected remaining working life time of employees	5 years

Actuarial gains and losses related to employees defined benefit plans, exceeding ten percent of the present value of defined benefit obligations as at start of the financial year are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan, otherwise the actuarial gains and losses are not recognized.

The amount recognized in the balance sheet represents the present value of defined benefits obligation adjusted for un-recognized actuarial gains / losses and un-recognized past service cost.

5.2 Property, plant and equipment

- Owned assets
Property, plant and equipment except, buildings on free - hold land and plant and machinery are stated at cost less accumulated depreciation and impairment, if any. Free - hold land, buildings on free - hold land and plant and machinery are stated at revalued amounts. Capital work in progress is stated at cost less impairment, if any.

Cost of property, plant and equipment consists of historical cost, borrowing costs pertaining to the erection / construction period and other directly attributable costs of bringing the assets to their working condition or for commencement of commercial production.

Depreciation on all the items of property, plant and equipment except for free - hold land is charged to income applying the reducing balance method at the rates specified in note 15.

Depreciation on additions to property, plant and equipment is charged from the month in which asset become available for use, while on disposals depreciation is charged up to the month of disposal.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Gain / loss on disposal of property, plant and equipment are credited or charged to income in the year of disposal. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

Any surplus arising on revaluation of property, plant and equipment is credited to the surplus on revaluation of property, plant and equipment account. Revaluation is carried with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred tax) is transferred directly to accumulated (loss) / profit.

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

- Leased assets
Assets held under finance leases are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of assets acquired on lease. Aggregate amount of related obligations under the lease less finance cost allocated to future payments are shown as liability. The finance cost is calculated at the interest rate implicit in the lease and are charged to income currently.

Depreciation on additions to leased assets is charged from the month in which the leased assets is acquired, capitalized or commencement of commercial production while no depreciation is charged for the month in which leased assets is disposed off.

Assets acquired under finance lease are depreciated over the useful life of the assets applying reducing balance method. Depreciation of leased assets is charged to income.

5.3 Stores, spare parts and loose tools

These are stated at cost using moving average method except goods in transit which are stated at cost comprising invoice value plus other charges paid thereon.

5.4 Stock in trade

Stock-in-trade is valued at lower of cost and net realizable value except waste which is valued at net realizable value. Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Cost of major components of stock in trade is determined as follows:-

Raw material	-	At weighted average cost
Work in process and finished goods	-	At prime cost plus appropriate production overheads determined on weighted average basis.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

5.5 Financial instruments

Financial assets and liabilities are recognized at the fair value of the consideration given or received at the time when the Company becomes a party to the contractual provisions of the instrument by following the trade date accounting. A financial asset or part thereof is de-recognized when the Company loses control of the contractual rights that comprise the financial asset or part thereof. Such control is deemed to be lost if the Company realizes the rights to the benefits specified in the contracts, the right expires or the Company surrenders those rights. A financial liability or part thereof is de-recognized when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

5.6 Loans and advances

These are stated at cost which represents the fair value of the consideration less impairment, if any.

5.7 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Known bad debts are written off as incurred.

5.8 Trade and other payables

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

5.9 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization.

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

5.10 Foreign currency translation

Transactions in foreign currency are recorded in Pak Rupee at the rate of exchange prevailing on the transaction date. All the assets and liabilities in foreign currencies are translated at exchange rates ruling on the balance sheet date. Exchange differences are dealt with through profit and loss account.

5.11 Revenue recognition

Export sales are accounted for on shipment basis. Exchange differences, if any, are adjusted in the period of realization except for adjustments made in accordance with note 5.10 (foreign currency translation) to the financial statements. Local sales are recorded on dispatch of goods to customers.

Export rebates are accounted for on accrual basis. Investment and interest income is recognized on time proportion basis.

Dividend income on ordinary share is recognized when the right to receive dividend has been established.

Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.

5.12 Taxation

Provision for current taxation is based on taxable income at current tax rates after considering the rebates and tax credits available, if any.

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

5.13 Impairment

An assessment is made at the balance sheet date to determine whether there is an evidence that a particular asset or class of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between recoverable amount and the carrying amount.

5.14 Provisions

A provision is recognized in the financial statements when Company has legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made to the amount of obligation.

5.15 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 comprises cash in hand, demand deposits, other short term highly liquid instruments that are readily convertible to known amount of cash and which are subject to an insignificants risk of change in value and finances under mark-up arrangements. In the balance sheet, finance under mark-up arrangements are included in current liabilities.

5.16 Derivative financial instruments

The Company uses derivative financial instruments such as interest rate swap and cross currency swaps to cover risk associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and subsequently measured at fair value. Derivatives are recognized as asset when fair value is positive and as liability when fair value is negative. Any gain or loss arising from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

5.17 Investments

Initial measurement

Investments in securities are recognized on a trade - date basis and are initially measured at cost which is the fair value of the consideration given.

Subsequent measurement

Investments at fair value through profit or loss

These are securities, which are either acquired for generating a profit from short term fluctuation in prices or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists.

These investments are measured at subsequent reporting dates at fair value and resulting gains and losses are included in the net profit or loss for the period.

5.18 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on commercial terms and conditions.

5.19 Off-setting

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

6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010	**2009**		**2010**	2009
(Numbers of shares)			**(Rupees)**	(Rupees)
51,900,883	51,900,883	Ordinary shares of Rs. 10/- each issued for cash	**519,008,830**	519,008,830
7,527,846	7,527,846	Ordinary shares of Rs. 10/- each issued as bonus shares	**75,278,460**	75,278,460
59,428,729	59,428,729		**594,287,290**	594,287,290

6.1 The shareholders are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry "one vote" per share without restriction.

		2010	2009
7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		**(Rupees)**	(Rupees)
Surplus arising on revaluation	**7.1**	**411,927,714**	449,094,349
Less: Deferred tax arising on surplus on revaluation	**7.2**	**119,194,666**	132,202,989
		292,733,048	316,891,360
7.1 Opening surplus on revaluation		**449,094,349**	489,905,549
Incremental depreciation on :			
Plant and machinery		**31,556,856**	35,477,777
Building		**3,028,422**	3,107,749
		34,585,278	38,585,526
On disposal of plant and machinery		**2,581,357**	2,225,675
		37,166,635	40,811,201
Closing surplus on revaluation		**411,927,714**	449,094,349
7.2 Relating deferred tax liability as on July 1, 2009		**132,202,989**	146,486,909
Tax effect on incremental depreciation		**(13,008,323)**	(14,283,920)
Related deferred tax liability as on June 30, 2010		**119,194,666**	132,202,989

This represents surplus over book value resulting from the revaluation of free - hold land, buildings on free - hold land and plant and machinery. The valuation was carried out by independent valuer as on June 30, 2008, considering the market value.

8 LONG TERM FINANCING- SECURED

Facility	Note	Repayment Commencement	Make up	Sanctioned limit (Rs. in million)	Number of Installment	2010 Rupees	2009 Rupees
Demand Finance I - NBP	8.1, 8.2 and 8.3	Jul-06	SBP REF+2%	100	24 Quarterly	**29,093,000**	45,762,514
Demand Finance II- NBP	8.1, 8.2 and 8.3	Apr-07	SBP Ref+2% & Kibor+2%	200	10 Semiannually	**29,124,000**	72,177,529
Demand Finance III- NBP	8.2 and 8.3	Jun-12	6 month Kibor+3%	25	6 Quarterly	**-**	20,833,335
Demand Finance IV- NBP	8.2 and 8.3	Apr-12	6 month Kibor+3%	43.689	3 Semiannually	**-**	29,126,660
Demand Finance V- NBP	8.2 and 8.3	Mar-11	Kibor+1.5%	206.595	16 Quarterly	**147,739,729**	38,056,691
Term Finance - NBP	8.3	Mar-11	Interest free	90	16 Quaterly	**48,361,273**	-
Fixed Assets Finance- I (HBL)	8.1, 8.2	Aug-06	SBP REF+2%	80	8 semiannually	**40,000,000**	40,000,000
Fixed Assets Finance- II (HBL)	8.1, 8.2	May-07	SBP REF+2%	150	10 semiannually	**90,000,000**	90,000,000
Term loan - HBL	8.1, 8.2	Oct-10	1 month Kibor+3%	25	12 quarterly	**-**	25,000,000
Term Finance - BOP	8.2 and 8.4	May-06	SBP REF+2%	100	12 semiannually	**34,398,000**	60,199,500
Term Finance - BOP	8.2 and 8.4	Dec-07	SBP REF+2%	70	8 semiannually	**24,702,126**	57,638,298
Term Finance - BOP	8.2 and 8.4	May-06	Kibor + 2.5%	100	8 semiannually	**-**	100,000,000
Term Finance - BOP	8.2 and 8.4	Sep-09	Kibor + 0.25%	136.903	10 Quarterly	**136,903,129**	-
Term Finance - BOP	8.2 and 8.4	Sep-09	Interest free	-	13 Quarterly	**50,677,370**	-
Morabaha Finance-FBL	8.5	June-06	SBP REF+1% Kibor + 2.5%	50	12 Quarterly	**-**	19,388,586
Term Morabaha-FBL	8.5	Sep-09	Kibor + 3% SBP REF+1%	27.93	12 Quarterly	**-**	24,920,404
Term Morabaha-FBL	8.5	Feb-08	Kibor + 3%	19.2	16 Quarterly	**-**	16,800,000
Demand Finance - UBL	8.1, 8.2	Jan-10	SBP Ref+2%	100	5 semiannually	**23,972,604**	71,917,204
Demand Finance - UBL	8.1, 8.2	Jan-11	Kibor+1.5%	35.96	5 semiannually	**35,958,400**	-
Demand Finance - ABL	8.1, 8.2 and 8.3	Apr-10	Interest free	131.25	30 monthly	**106,463,749**	81,250,000
						797,393,380	793,070,721
Current portion					9	**(259,291,375)**	(75,319,821)
Overdue portion					9	**(78,209,000)**	(23,596,054)
						(337,500,375)	(98,915,875)
						459,893,005	694,154,846

8.1 Long term finaning has been converted into State Bank of Pakistan's Long Term Finance (Export Oriented Project) Scheme during the financial year 2007.

8.2 It represents long term finaning from commercial banks / financial institutions (stated above) to finance the manufacturing facilities of the Company comprised of weaving machines, towel, power generation unit and allied machineries. Markup is payable along with installment as per schedule stated above. The loans are secured against equitable mortgage charge on land, first pari passu charge on property, plant and equipment of the Company and personal guarantees of the directors of the Company.

8.3 The loan from National Bank of Pakistan, Allied Bank Limited and Faysal Bank Limited have been rescheduled during the year in April 2010, May 2010 and January 2010 respectively. The rescheduling effect of these loans has been incorporated in the financial statements for the year ended June 30, 2010.

8.4 The loan from The Bank of Punjab has been rescheduled during the year in September 2009. The rescheduling effect of these loans have been incorporated in the financial statements for the year ended June 30, 2010.

8.5 All the existing loan facilities from Faysal Bank Limited have been converted into ERF Part II facility amounting Rs. 115. 397 millions. The rescheduling effect of this loan has been incorporated in the financial statements for the year ended June 30, 2010.

	Note	**2010 Rupees**	2009 Rupees
9 CURRENT PORTION OF LONG TERM FINANCING			
Current portion	8	**259,291,375**	75,319,821
Overdue portion	8	**78,209,000**	23,596,054
		337,500,375	98,915,875
10 DEFERRED LIABILITIES			
Deferred tax relating to surplus on revaluation of property, plant and equipment	7	**119,194,666**	132,202,989
Employee retirement benefits- gratuity	10.2	**19,961,708**	16,914,866
		139,156,374	149,117,855

The scheme provides for gratuity benefits for all the permanent employees of the Company who attain the minimum qualifying period. Provision has been made on the basis of latest actuarial valuation made as on June 30, 2009 using Projected Unit Credit Method.

	Note	2010	2009
10.1 Current cost of staff retirement			
Cost of sales	26.2	**6,342,149**	7,088,780
Administration expenses	28.2	**2,006,193**	1,863,352
		8,348,342	8,952,132
10.2 Movement in liability			
Balance at beginning of year		**16,914,866**	13,158,634
Charge for the year		**8,348,342**	8,952,132
Benefits paid during the year		**(5,301,500)**	(5,195,900)
Balance at end of year		**19,961,708**	16,914,866
10.3 Charge for the year			
Current service cost		**6,383,459**	7,276,717
Interest cost		**1,770,571**	1,434,356
Transitional liability arising out of actuarial Valuation being amortized		**487,300**	487,301
Actuarial gain		**(292,988)**	(246,242)
		8,348,342	8,952,132
10.4 The movement in the present value of defined benefit obligation			
Present value of defined benefit obligation		**14,754,756**	11,952,969
Current service cost		**6,383,459**	7,276,717
Interest cost		**1,770,571**	1,434,356
Actuarial gain		**(985,752)**	(713,386)
Benefits paid		**(5,301,500)**	(5,195,900)
		16,621,534	14,754,756

10.5 Reconciliation

	2010 Rupees	2009 Rupees
Present value of defined benefit obligation	**16,621,534**	17,556,543
Unrecognized actuarial gains	**-**	2,647,410
Unrecognized transitional liability	**-**	(487,300)
	16,621,534	19,716,653

10.6 Historical information

	2010	2009	2008	2007	2006
Present value of defined benefit obligation	16,621,534	14,754,756	11,952,969	11,108,152	5,011,995

11 TRADE AND OTHER PAYABLES

	Note	2010 Rupees	2009 Rupees
Creditors		**287,422,612**	161,255,640
Advances from customers		**27,946,012**	28,516,235
Payable to associated undertaking	**11.1**	**7,895,727**	7,895,727
Accrued liabilities		**36,611,470**	34,462,945
Income tax withheld		**2,021,162**	2,020,632
Retention money payable		**405,146**	405,146
Workers' funds	**11.2**	**12,539,105**	11,173,587
		374,841,234	245,729,912

11.1 The maximum aggregate amount payable to associated undertaking at the end of any month during the year was Rs.7,895,727. (2009: Rs. 7,895,727).

11.2 Workers' funds

	Note	2010 Rupees	2009 Rupees
Workers' profit participation fund			
Opening balance		**10,863,308**	9,584,342
Interest accrued	**31 & 11.3**	**1,365,518**	1,278,966
		12,228,826	10,863,308
Workers' welfare fund		**310,279**	310,279
		12,539,105	11,173,587

11.3 Mark up on workers' profit participation fund has been provided @ 12.57 % per annum (2009 : 12.57% per annum).

12 ACCRUED MARK-UP

	2010 Rupees	2009 Rupees
Long term financing	**120,535,964**	67,320,206
Short term borrowings	**19,923,842**	104,529,792
	140,459,806	171,849,998

13 SHORT TERM BORROWINGS- SECURED

Facility	Note	Sanctioned limit Rupees (M)	Mark-up rate (Matching KIBOR/ LIBOR+)	Mark-up/ repayment terms	2010 Rupees	2009 Rupees
Pre - shipment	13.1, 13.5	1,146	0.25% to3.5%	Quarterly	**1,088,103,256**	983,918,008
Post - shipment loans	13.2, 13.5	150		Actual realisation	**19,500,000**	-
Morabaha finance	13.3, 13.5				**-**	52,227,097
Running finance	13.4, 13.5	320	0.25% to 3.5%	Quarterly	**176,087,522**	284,732,216
					1,283,690,778	1,320,877,321

13.1 The Company has aggregate sanctioned limit of export refinance facilities (ERP) of Rs.1,146 million out of which Rs.250 million relate to ERF-I facility availed from Faysal Bank Limited and NIB Bank Limited. The aggregate outstanding balance at any given time of this account will remain within sanctioned limit of Rs.1,146 million.

13.2 The company has aggregate post shipment facility amounting Rs. 150 Million availed from NIB Bank Limited and Allied Bank Limited.

13.3 All the sanctioned Morabaha loans availed from Faysal Bank Limited have been converted into ERF-I facility of Rs. 115. 397 Million.

13.4 The Company has aggregate sanctioned limit of Running Finance facilities of Rs.320 million from National Bank of Pakistan, Allied Bank Limited, Habib Bank Limited, United Bank Limited and RBS, Faysal Bank Limited and NIB Bank Limited. The aggregate outstanding balance at any given time of this account will remain within sanctioned limit of Rs.320 million.

13.5 These facilities are secured against hypothecation of stocks, lien on confirmed export orders, pari passu charge on current assets and personal guarantees of the directors. Morabaha finance is for the purpose of raw material purchases on short term basis.

14 CONTINGENCIES AND COMMITMENTS

14.1 The Company has filed a recovery suit against the Punjab Cotton Mills Limited for Rs. 5,106,639 along with interest. The suit is pending before the Honorable Civil Judge, Lahore. The Company is hopeful of settlement of the case in its favour.

14.2 The Company has filed appeals before the Customs, Excise and Sales Tax Appellate Tribunal, Lahore under section 46(1) of the Sales Tax Act, 1990 for refund of sales tax aggregating Rs. 15,500,885 disallowed by the sales tax department on account of supply of zero rated goods in lieu of Sales Tax General Order NO. 2 2007 (STGO), dated February 6, 2007 and SRO NO. 992(I)/2005 dated September 21, 2005 read with SRO No. 487(I)/2006 dated May 26, 2006. In this regard the Federal Board of Revenue through its letter number C. No. 3 (10) STM/2007 dated 13th January, 2010 issued directions to ensure that all cases on which the said SRO was applied retrospectively should be processed prospectively, as instructed by the High Court and approved by the Supreme Court of Pakistan, thus the cases pertaining to the period before the said SRO shall remain entitled to the refund and the same sould be issued to them without any further delay.

14.3 M/s M. J. Industries has filed a case against the Company for declaration for Rs. 544,644. The case is dismissed by the Honorable Civil Judge, Lahore. M/s M. J. Industries has filed an application for the restoration of the suit.

14.4 The Company has filed a recovery suit against the M/s M. J. Industries for Rs. 544,644. The summan and notices has issued to the defendant and the case is pending due to non appearance of the defendant before the Honorable Civil Judge, Lahore. The Company is hopeful of settlement of the case in its favour.

14.5 The Company has filed a recovery suit against the M/s Amtex Limited for Rs. 2,916,762. The case is fixed for final order by Honorable Judge, high Court, Lahore on October 13, 2010. The Company is hopeful of settlement of the case in its favour.

	2010	2009
14.6 Contingencies	**Rupees**	Rupees
Bills discounted with recourse	**1,659,242**	116,370,197
Bank guarantees issued in the ordinary course of business	**32,555,900**	32,555,900
14.7 Commitments		
Letters of credit	**7,367,624**	18,430,136

15 PROPERTY, PLANT AND EQUIPMENT

Particulars	Land - freehold	Buildings on free - hold land	Link road	Non factory building	Plant and Machinery	Furniture and fixtures	Vehicles		Electrical installation	Office equipment	Total
							Owned	Leased			
COST											
Balance as at July 01, 2008	144,500,000	359,541,300	29,702,478	57,872,783	1,622,884,516	3,391,333	12,944,931	5,162,148	52,353,373	14,720,378	2,303,073,239
Additions during the year	-	11,781,614	-	252,949	46,789,595	166,941	5,527,602	-	283,154	982,566	65,784,420
Transfer/adjustment	-	-	-	-	-	-	1,597,690	(1,597,690)	-	-	-
Disposals	-	-	-	-	(8,361,517)	-	(2,941,437)	-	-	(78,500)	(11,381,454)
Balance as at June 30, 2009	144,500,000	371,322,914	29,702,478	58,125,732	1,661,312,594	3,558,274	17,128,786	3,564,458	52,636,527	15,624,444	2,357,476,206
Additions during the year	-	819,108	-	1,174,278	28,772,324	361,865	1,368,151	-	522,511	1,547,116	34,565,353
Transfer/adjustment	-	-	-	-	-	3,564,458	(3,564,458)	-	-	-	-
Disposals	-	-	-	-	(8,734,559)	-	(1,231,290)	-	-	-	(9,965,849)
Balance as at June 30, 2010	**144,500,000**	**372,142,022**	**29,702,478**	**59,300,010**	**1,681,350,359**	**3,920,139**	**20,830,105**	**-**	**53,159,038**	**17,171,560**	**2,382,075,710**
DEPRECIATION											
Balance as at July 01, 2008	-	-	1,988,597	9,252,895	-	1,186,583	6,417,410	2,114,365	10,412,860	4,444,281	35,816,991
Accumulated depreciaiton eliminated on disposal	-	-	-	-	(696,791)	-	(916,978)	-	-	(26,996)	(1,640,765)
Transfer/adjustment	-	-	-	--	-	426,050	(426,050)	-	-	-	-
Depreciation expense	-	18,061,603	1,385,694	4,874,636	164,142,953	220,475	1,289,319	609,552	4,200,548	1,052,773	195,837,553
Balance as at June 30, 2009	-	18,061,603	3,374,291	14,127,531	163,446,162	1,407,058	7,215,801	2,297,867	14,613,408	5,470,058	230,013,779
Accumulated depreciaiton eliminated on disposal	-	-	-	-	(1,077,032)	-	(810,800)	-	-	-	(1,887,832)
Transfer/adjustment	-	-	-	-	-	-	2,508,966	(2,508,966)	-	-	-
Depreciation expense	-	17,689,961	1,316,409	4,487,103	150,963,983	233,122	2,465,924	211,099	3,836,417	1,090,679	182,294,697
Balance as at June 30, 2010	**-**	**35,751,564**	**4,690,700**	**18,614,634**	**313,333,113**	**1,640,180**	**11,379,891**	**-**	**18,449,825**	**6,560,737**	**410,420,644**
Written down value as at June 30, 2010	**144,500,000**	**336,390,458**	**25,011,778**	**40,685,376**	**1,368,017,246**	**2,279,959**	**9,450,214**	**-**	**34,709,212**	**10,610,823**	**1,971,655,066**
Written down value as at June 30, 2009	**144,500,000**	**353,261,311**	**26,328,187**	**43,998,201**	**1,497,866,431**	**2,151,216**	**9,912,985**	**-**	**38,023,118**	**10,154,386**	**2,127,462,427**
Rate of depreciation	0%	10%	10%	10%	10%	10%	20%	20%	10%	10%	

	Note	2010 Rupees	2009 Rupees

15.1 Depreciation for the year has been allocated as under :

	Note	2010 Rupees	2009 Rupees
Cost of sales	26	**178,293,867**	192,665,427
Selling and distribution expenses	27	**2,000,415**	1,700,687
Administration expenses	27	**2,000,415**	1,897,489
		182,294,697	194,663,603

15.2 Free-hold land, building on free-hold land and plant and machinery represents values subsequent to revaluation as at June 30, 2008. Had there been no revaluation, the cost, accumulated depreciation, and book value of the revalued property, plant and equipment as on June 30, 2010 would have been as follows:

	Cost as at June 30, 2010	Accumulated depreciation as at June 30, 2010	Book value as at June 30, 2010	Book value as at June 30, 2009
Free - hold land	**73,128,476**	**-**	**73,128,476**	73,128,476
Buildings on free - hold land	**336,031,819**	**69,085,816**	**266,946,003**	280,995,793
Plant and machinery	**1,579,766,648**	**562,510,720**	**1,017,255,928**	1,108,574,554
	1,988,926,943	**631,596,536**	**1,357,330,407**	1,462,698,823

15.3 Disposal of Property, Plant and Equipment

The following is the detail of disposals during the year:

PARTICULARS	Quantity	Cost/ Assets	Book Value	Sale Proceeds	Profit/ (Loss)	Mode of Disposal	Name and Address
Vehicles Suzuki Cultus LW 8760	1	706,290	276,236	455,400	179,164	Negotiation	Mr. Shabbir Ahmed, Chak No. 35-W-B Post office Vahari
Suzuki Cultus LRF 7718	1	525,000	144,256	246,761	102,505	Final settlement	Ms. Sadia Faisal Muhalla Jiamusa Shah Dera Lahore
Plant and Machinery Compressor of Terry Looms	1	546,495	467,253	1,275,000	807,747	Negotiation	Superior Technology, A-3,Shimla Complex,II-Durand Road Lahore
Suzler Looms	4	8,188,064	7,190,274	4,416,000	(2,774,274)	Negotiation	Rizwan Enterprises Karachi
2010 Rupees	**7**	**9,965,849**	**8,078,019**	**6,393,161**	**(1,684,858)**		
2009 Rupees	15	11,381,454	9,314,639	6,246,646	(3,067,993)		

16 CAPITAL WORK IN PROGRESS

DESCRIPTION	2010				2009			
	As at July 01, 2009	**Additions**	**Transfers / adjustments**	**As at June 30, 2010**	As at July 01, 2008	Additions	Transfers / adjustments	As at June 30, 2009
Building	**2,176,712**	**1,363,665**	**(2,390,377)**	**1,150,000**	3,361,186	11,108,442	(12,292,916)	2,176,712
Plant and machinery	**-**	**2,644,000**	**(2,644,000)**	**-**	4,586,988	15,173,392	(19,760,380)	-
	2,176,712	**4,007,665**	**(5,034,377)**	**1,150,000**	7,948,174	26,281,834	(32,053,296)	2,176,712

		Note	2010 Rupees	2009 Rupees
17	**LONG TERM DEPOSITS**			
	Security deposits - WAPDA		**350,000**	3,638,650
	Security deposits		**2,716,322**	2,712,322
			3,066,322	6,350,972
18	**STOCK IN TRADE**			
	Raw material		**278,600,881**	256,639,222
	Work in process		**99,835,419**	63,222,319
	Finished goods and waste	18.1	**248,862,843**	288,540,078
			627,299,143	608,401,619

18.1 This includes goods in transit amounting to Rs. 6,132,809 (2009: 10,440,433)

		2010 Rupees	2009 Rupees
19	**TRADE DEBTS - CONSIDERED GOOD**		
	Export - Secured against letters of credit	**113,555,152**	80,563,921
	Local - Unsecured	**203,717,497**	203,019,169
		317,272,649	283,583,090
20	**LOANS AND ADVANCES**		
	Considered good		
	Loan due from employees	**7,009,755**	7,644,690
	Advances to:		
	Suppliers against expenses	**156,533,993**	78,320,638
	Suppliers against letter of credit	**7,367,624**	18,430,136
	Others	**-**	1,946,049
		170,911,372	106,341,513
21	**TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**		
	Prepayments	**1,626,869**	1,866,407
	Advance income tax	**17,913,537**	22,122,963
	Margin deposits	**4,623,586**	2,324,670
	Sales tax refundable	**43,631,915**	41,974,111
	Export rebate receivable	**6,212,109**	1,553,463
		74,008,016	69,841,614
22	**OTHER RECEIVABLES**		
	Advance for purchase of land	**42,700,000**	-
	Other receivables	**29,016,143**	39,050,499
		71,716,143	39,050,499

	Number of shares 2010	Number of shares 2009	2010 Rupees	2009 Rupees
23 SHORT TERM INVESTMENTS				
Investments at fair value through profit and loss - listed securities				
Pak Electron Limited	**944**	781	**11,186**	19,142
National Bank of Pakistan	**-**	26,400	**-**	1,769,592
Fauji Fertilizer Bin Qasim Limited	**10,000**	10,000	**260,400**	869,500
New Jubilee Life Insurance Company Limited	**41,000**	48,500	**1,599,000**	1,843,000
JS Growth Fund Limited (UPT Growth Fund Limited)	**37,132**	37,132	**124,021**	110,653
Attock Refinery Limited	**111**	111	**8,942**	13,852
SAMBA (Crescent Commercial Bank Limited)	**24,500**	24,500	**55,615**	73,010
Dewan Farooq Spinning Mills Limited	**24,500**	24,500	**74,725**	41,160
Arif Habib Bank Limited	**1,111**	1,111	**3,988**	7,766
Karachi Electric Supply Company Limited	**25,000**	25,000	**55,750**	66,250
TRG Pakistan Limited	**100,000**	100,000	**411,000**	135,000
Sitara Peroxide Limited	**10,000**	10,000	**88,800**	184,400
Askari Bank Limited	**374**	312	**5,692**	4,767
Innovative Investment Bank Limited	**250**	250	**250,000**	250,000
	274,922	308,597	**2,949,119**	5,388,092

	2010 Rupees	2009 Rupees
24 CASH AND BANK BALANCES		
Cash in hand	**402,255**	440,065
Cash at banks - current accounts	**7,566,922**	28,483,911
	7,969,177	28,923,976
25 SALES - NET		
Export	**952,351,582**	928,963,127
Exchange gain	**17,870,093**	15,966,731
	970,221,675	944,929,858
Local	**1,723,968,924**	1,689,787,133
	2,694,190,599	2,634,716,991
Export rebate	**6,619,991**	3,280,700
	2,700,810,590	2,637,997,691
Less: Commission and claim	**36,510,265**	25,780,698
Trade discount	**528,990**	10,444,504
	37,039,255	36,225,202
	2,663,771,335	2,601,772,489

26 COST OF GOODS SOLD	Note	2010 Rupees	2009 Rupees
Raw material consumed		**1,746,609,665**	1,562,718,949
Stores consumed		**42,279,469**	35,085,650
Packing, sizing and lubricants consumed		**109,306,979**	129,018,223
Fuel and power		**156,171,330**	125,696,074
Salaries, wages and other benefits	26.2	**115,383,226**	124,896,460
Processing charges		**49,409,898**	57,305,421
Insurance		**4,717,363**	3,746,109
Repairs and maintenance		**6,369,923**	2,478,703
Rent, rate and taxes		**-**	2,961,440
Traveling and conveyance		**1,250,714**	2,284,572
Depreciation	15.1	**178,293,867**	192,665,427
Other production overheads		**2,980,628**	4,329,014
		2,412,773,062	2,243,186,042
Adjustment of work-in-process			
Opening stock		**63,222,319**	55,888,473
Closing stock		**(99,835,419)**	(63,222,319)
		(36,613,100)	(7,333,846)
Cost of goods manufactured		**2,376,159,962**	2,235,852,196
Adjustment of finished goods and waste			
Opening stock		**288,540,078**	379,820,018
Closing stock		**(248,862,843)**	(288,540,078)
		39,677,235	91,279,940
Cost of goods sold		**2,415,837,197**	2,327,132,136

26.1 Raw material consumed

Opening stock	**256,639,222**	237,136,566
Purchases	**1,771,759,379**	1,615,667,661
Return / discount on purchases	**(12,306,380)**	(42,277,660)
Net purchases	**1,759,452,999**	1,573,390,001
Freight	**9,118,325**	8,831,604
	2,025,210,546	1,819,358,171
Closing stock	**(278,600,881)**	(256,639,222)
	1,746,609,665	1,562,718,949

26.2 This includes employees' benefits amounting to Rs. 6,342,149 (2009 : Rs. 7,088,780)

	Note	2010 Rupees	2009 Rupees
27 SELLING AND DISTRIBUTION COST			
Salaries, wages and other benefits		**5,195,766**	5,047,103
Traveling and conveyance		**913,624**	6,400,558
Sales promotion		**2,270,208**	6,508,155
Communication		**1,022,477**	4,192,580
Vehicles running and maintenance		**470,989**	1,127,914
Freight		**36,985,426**	42,376,680
Clearing and forwarding		**2,855,748**	2,088,129
Depreciation	15.1	**2,000,415**	1,700,687
Others		**4,206,456**	5,151,998
		55,921,109	74,593,804
28 ADMINISTRATIVE EXPENSES			
Directors' remuneration		**4,440,000**	4,440,000
Salaries and other benefits	28.2	**8,542,142**	8,469,050
Traveling and conveyance		**4,100,210**	5,512,921
Rent, rates and taxes		**1,512,366**	2,667,560
Printing and stationery		**648,384**	406,718
Communication		**3,275,567**	1,214,239
Vehicle running and maintenance		**1,994,126**	2,070,412
Repairs and maintenance		**1,090,429**	685,451
Auditors' remuneration	28.1	**905,000**	575,000
Fee and subscription		**1,245,357**	1,095,201
Legal and professional		**178,500**	611,000
Electricity, gas and water		**737,833**	773,507
Insurance		**208,027**	718,051
Advertisement		**66,570**	39,672
Depreciation	15.1	**2,000,415**	1,897,489
Others		**659,787**	527,265
		31,604,713	31,703,536
28.1 Auditors' remuneration			
Audit fee		**500,000**	375,000
Half yearly review		**50,000**	50,000
Code of corporate governance review		**50,000**	50,000
Tax representation and consultancy fee		**305,000**	100,000
		905,000	575,000

28.2 This includes employees' benefits amounting to Rs.2,006,193 (2009: Rs.1,863,352)

	Note	2010 Rupees	2009 Rupees
29 OTHER OPERATING EXPENSES			
Loss on sale of property, plant and equipment	15.3	**1,684,858**	3,067,994
Loss on sale of marketable securities		**-**	932,007
Unrealized loss on investments at fair value through profit and loss account		**346,880**	4,098,111
Exchange loss		**924,345**	-
		2,956,083	8,098,112

		Note	2010 Rupees	2009 Rupees
30	**OTHER OPERATING INCOME**			
	Dividend income		**799,598**	483,385
	Gain on termination of swap arrangement		**-**	36,869,243
	Profit on bank deposits		**456,376**	-
	Gain on sale of marketable securities		**206,275**	-
	Duty draw back		**464,133**	-
	Others		**1,795,413**	-
	Amortization of interest free loan	30.1	**59,501,673**	-
			63,223,468	37,352,628

30.1 Amortization of interest free loan

Carrying value of interest free loan	**254,690,000**	-
Less: present value adjustment	**(59,501,673)**	-
	195,188,327	-
Interest charged to profit and loss account	**7,951,706**	-
Less: current portion shown under current liabilities	**(63,103,036)**	-
	140,036,997	-

This represents the interst free loans payable to National Bank of Pakistan amounting to Rs. 70,700,000 payable in 16 quarterly installments commencing from March 2011, loan payable to Bank of Punjab amounting to Rs. 61,490,000 payable in 13 quarterly installments commencing from September,2009 and loan payable to Allied Bank Limited amounting to Rs.131,250,000 payable in 30 monthly installments commencing from April, 2010. These loans have been discounted using the weighted average interest rate of 15.32%, 14.99% and 12.87% respectively.

		Note	2010 Rupees	2009 Rupees
31	**FINANCE COST**			
	Lease finance charges		**303,539**	646,552
	Mark-up on long term financing		**90,915,296**	94,924,024
	Mark-up on short term borrowings		**172,458,761**	213,603,369
	Interest on workers' profit participation fund	11.2	**1,365,518**	1,278,966
	Bank charges and others		**15,011,247**	43,135,974
			280,054,361	353,588,885
32	**TAXATION**			
	Provision for taxation- current		**17,239,334**	9,289,631
	Provision for taxation- prior year		**(456,087)**	-
	Deferred		**(13,008,323)**	(14,283,920)
			3,774,924	(4,994,289)

32.1 The company is under the ambit of final tax up to the extent of export sales under section 169 of Income Tax Ordinance 2001. Provision for income tax is made accordingly. Income tax provision for income which is not subject to final tax under section 169 of Income Tax Ordinance 2001 has been calculated in accordance with section 113 of the Income Tax Ordinance, 2001 as the company has assessed tax losses. No provision for deferred tax has been charged except as explained in note: 10. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of presumptive taxation.

	Note	2010 Rupees	2009 Rupees
33 LOSS PER SHARE - BASIC AND DILUTED			
Loss attributable to ordinary shareholders		**(63,153,584)**	(150,997,067)
Weighted average number of ordinary shares		**59,428,729**	59,428,729
Earning per share - basic and diluted		**(1.06)**	(2.54)

33.1 **There is no dilutive effect on the basic earning per share.**

	Note	2010 Rupees	2009 Rupees
34 CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year before taxation		**(59,378,660)**	(155,991,356)
Adjustments for:			
Depreciation on property, plant and equipment	15.1	**182,294,697**	196,263,603
Loss on disposal of property, plant and equipment	15.3	**1,684,858**	3,067,994
Loss on re-measurement of short term investments		**346,880**	4,098,111
Dividends, capital gains and income from investments		**(1,005,873)**	448,622
Staff retirement benefits - gratuity		**8,348,342**	8,952,132
Finance cost		**280,054,361**	353,588,885
		471,723,265	566,419,347
Profit before working capital changes		**412,344,605**	410,427,991
(Increase)/decrease in current assets			
Stores, spare parts and loose tools		**(21,265,688)**	(5,318,409)
Stock in trade		**(18,897,524)**	64,443,438
Trade debts		**(33,689,559)**	29,644,752
Loans and advances		**(64,569,859)**	20,398,780
Other receivables		**(32,665,644)**	-
Trade deposits, prepayments and other receivables		**(8,375,828)**	(17,660,386)
		(179,464,102)	91,508,175
Increase / (decrease) in current liabilities			
Trade and other payables		**129,111,322**	(5,403,290)
Cash generated from operations		**361,991,825**	496,532,876

35 FINANCIAL ASSETS AND LIABILITIES

	Mark-up bearing		Non Mark-up bearing			
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year	Total 2010	Total 2009
	--------------------Rupees--------------------					
Financial Assets						
Long term deposits	-	-	-	3,066,322	3,066,322	2,712,322
Trade debts	-	-	317,272,649	-	317,272,649	283,583,090
Loans and advances	-	-	7,009,755	-	7,009,755	7,644,690
Trade deposits and other receivables	-	-	82,551,838	-	82,551,838	42,928,632
Investments	-	-	2,949,119	-	2,949,119	5,388,092
Cash and bank balances	-	-	7,969,177	-	7,969,177	28,923,976
	-	-	417,752,538	3,066,322	420,818,860	371,180,802
Financial Liabilities						
Long term financing	78,209,000	459,893,005	-	-	538,102,005	793,070,721
Trade and other payables	12,539,105	-	362,302,129	-	374,841,234	245,729,912
Accrued mark up on loans	-	-	140,459,806	-	140,459,806	171,849,998
Short term borrowings	1,283,690,778	-	-	-	1,283,690,778	1,320,877,321
	1,834,331,888	459,893,005	502,761,935	-	2,337,093,824	2,531,527,952
On balance sheet gap	(1,834,331,888)	459,893,005	(85,009,397)	3,066,322	(1,916,274,964)	(2,160,347,150)

	2010 Rupees	2009 Rupees
Off balance sheet items		
Bills discounted with recourse	1,659,242	116,370,197
Bank guarantees issued in the ordinary course of business	32,555,900	32,555,900
Letters of credit	7,367,624	18,430,136

36 FINANCIAL RISK MANAGEMENT

EFFECTIVE INTEREST RATES

Financial liabilities	
Long term financing	7% to 16% per annum
Short term borrowings	12.88% to 16% per annum

36.1 Financial risk factors

The Company has exposures to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk (Currency risk, Other price risk and Interest rate risk)

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

Concentration and management of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

Credit risk from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institution, as well as credit exposures to customers, including trade receivables and committed transactions. Out of total financial assets of Rs. 420.818 million (2009: Rs. 371.180 million), the financial assets that are subject to credit risk amounted to Rs. 417.519 million (2009 : Rs.365.138 million).

For trade receivables, internal risk assessments process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings in accordance with the limits set by the management. The utilization of credit limit is regularly monitored. Accordingly, the credit risk is minimal and the Company also believes that it is not exposed to major concentration of credit risk.

Concentration of the credit risk arises when the number of counter parties engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration risk.

The Company monitors the credit quality of the financial assets with reference to the historical performance of such assets and available external credit ratings. The carrying value of financial assets which are neither past due nor impaired are as under:

	2010 **Rupees**	2009 Rupees
Long term deposits	**3,066,322**	2,712,322
Trade debts	**317,272,649**	283,583,090
Loans and advances	**7,009,755**	7,644,690
Trade deposits and other receivables	**82,551,838**	42,928,632
Bank balances	**7,566,922**	28,483,911
	417,467,486	365,352,645

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Banks	**Rating Agency**	**Long term Rating**	**Short term Rating**
Bank Alfalah Limited	PACRA	AA	A1+
Askari Bank Limited	PACRA	AA	A1+
Citi Bank N.A	S & P	A+	A1-
Deutsche Bank	S & P	A+	A1-
Dubai Islamic Bank Pakistan Limited	JCRVIS	A	A1-
Faysal Bank Limited	JCRVIS	AA	A-1+
Meezan Bank Limited	JCRVIS	AA-	A-1
MCB Bank Limited	PACRA	AA+	A1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
National Bank of Pakistan	JCRVIS	AAA	A-1+
Royal Bank of Scotland Limited	PACRA	AA	A1+
Silk Bank Limited	JCRVIS	A-	A-3
SME Bank Limited	JCRVIS	BBB	A-3
The Bank of Punjab	PACRA	AA-	A1+
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A1+
United Bank Limited	JCRVIS	AA+	A-1+
Soneri Bank Limited	PACRA	AA-	A1+
Habib Bank Limited	JCRVIS	AA+	A-1+

Liquidity risk management

Liquidity risk reflects Company's inability in raising funds to meet commitments. The management closely monitors Company's liquidity and cash flow position to ensure adequate liquidity and manage the assets keeping in view the liquidity position.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk on import of raw materials and stores and spares and export of goods mainly denominated in US dollars and on foreign currency bank accounts. The Company's exposure to foreign currency risk for US Dollars and Euro is as follows:

Cash at bank - USD
Foreign debtors - USD
Foreign debtors - Euro
Foreign debtors - Pound

The following significant exchange rate has been applied:	**2010**	2009
Rupees per USD		
Average rate	**83**	78.89
Reporting date rate	**85.6**	80.92
Rupees per Euro		
Average rate	**117.27**	107.99
Reporting date rate	**105**	114.82
Rupees per Pound		
Average rate	**133.47**	126
Reporting date rate	**129**	135

As at June 30, 2010 had the exchange of USD, Euro and Pound depreciated or appreciated against the currency with all other variables held constant, the change in post tax profit/(loss), mainly as a result of foreign exchange gain/loss on translation of foreign currency denominated payables, would have been as follows:

Curency	**30 June 2010**		30 june 2009	
	% Change	**Impact**	% Change	Impact
USD	**10**	**10,322,590**	10	8,587,646
Euro	**10**	**5,334**	10	161,882
Pound	**10**	**664,479**	-	-

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rate.
At the reporting date the variable interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2010	2009	**2010**	2009
Variable rate instruments	Effective interest rate %		Carring value in Rupees	
Long term financing	**7% to 16%**	6%-18%	**797,393,380**	793,070,721
Short term borrowings	**12.88%-16%**	12%-19%	**1,283,690,778**	1,320,877,321

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit and losss 100 bp	
	Increase	Decrease
As at 30 June 2010		
Cash flow sensitivity-Variable rate financial liabilities	**20,810,842**	**(20,810,842)**
As at 30 June 2009		
Cash flow sensitivity-Variable rate financial liabilities	**21,139,480**	**(21,139,480)**

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Company.

Past Due Balances

No provision for doubtful debt has been made during the year for local and foreign customers.

The aging of trade receivable at the reporting date is:

	2010 Rupees	2009 Rupees
Past due 1-30 days	**188,775,244**	189,626,499
Past due 30-150 days	**62,395,605**	43,924,547
Past due 150 days	**66,101,800**	50,032,044
	317,272,649	283,583,090

36.2 Capital risk management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares, as the case may be.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings ("long term financing" and "short term borrowings" as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under "share capital and reserves" and net debt.

Total borrowings	**2,081,084,159**	2,113,948,042
Less: cash and bank balances	**7,969,177**	28,923,976
Net debt	**2,073,114,982**	2,085,024,066
Total equity	**291,653,841**	330,649,113
Total capital	**2,364,768,822**	2,415,673,179
Gearing ratio %	**87.67**	86.31

36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Description	2010			2009		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	**800,004**	**2,090,323**	**4,029,677**	800,004	2,090,323	3,553,548
House rent allowance	**360,000**	**940,645**	**1,813,355**	360,000	940,645	1,599,097
Utilities	**39,996**	**209,032**	**402,968**	39,996	209,032	355,355
	1,200,000	**3,240,000**	**6,426,000**	1,200,000	3,240,000	5,508,000
	1	**4**	**11**	1	4	6

36.1 Some of the directors and the executives are provided with free use of Company cars as per rules.
36.2 No meeting fee was paid to the directors for attending the meetings of the board.
36.3 Gratuity expense related to directors is classified under note 28.

37 PLANT CAPACITY AND PRODUCTION

	2010	2009
Greige fabric unit		
No. of looms installed	**228**	226
No. of looms worked	**228**	226
Shifts per day	**3**	3
No. of days actually worked	**365**	365
Rated capacity (Square Meters in millions)	**75.2**	74.5
Actual production (Square Meters in millions)	**74.4**	73.5
Towel unit		
No. of looms installed	**31**	31
No. of looms worked	**31**	31
Shifts per day	**3**	3
No. of days actually worked	**365**	365
Rated capacity (Tons)	**2700**	2700
Actual production (Tons)	**2628**	1766
Towel dyeing and processing unit		
Rated capacity (Tons)	**2,400**	2,400
Actual production (Tons)	**1602**	1614

36.1 It is difficult to determine precisely the production capacity in textile weaving mills since it fluctuates widely depending on various factors such as speed, width and construction of cloth woven etc.

38 RELATED PARTIES DISCLOSURE

The related parties comprise associated undertaking, companies where directors also held directorship, directors and key management personnel. Transactions with associated undertakings and other related parties other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in Note 36.

39 NUMBER OF EMPLOYEES

	2010	2009
Number of employees at the year end	**871**	960

40 AUTHORIZATION OF FINANCIAL STATEMENTS

These accounts were approved by the board of directors on 6th October 2010.

41 FIGURES

Figures have been rounded off to the nearest Rupee.

DIRECTOR **CHIEF EXECUTIVE**

Form 34

Pattern of Share Holding
as on June 30, 2010

Number of shareholders	Shareholding From	To	Total Shares held
21	1	100	216
160	101	500	78060
83	501	1000	80991
167	1001	5000	513361
48	5001	10000	418568
21	10001	15000	263700
12	15001	20000	226500
9	20001	25000	216000
9	25001	30000	259500
1	30001	35000	31500
2	35001	40000	78347
1	40001	45000	43995
3	45001	50000	150000
1	50001	55000	54500
2	55001	60000	118000
2	65001	70000	137000
1	75001	80000	80000
1	85001	90000	90000
4	95001	100000	400000
1	100001	105000	102000
1	110001	115000	115000
1	125001	130000	134179
2	135001	140000	277000
1	150001	155000	152000
2	195001	200000	400000
1	210001	215000	212500
1	245001	250000	250000
1	265001	270000	266000
1	285001	290000	286500
1	560001	565000	564183
1	1315001	1320000	1318000
1	2165001	2170000	2166800
1	2645001	2470000	2465300
1	2855001	2860000	2857300
1	3820001	3825000	3822698
2	4430001	4435000	8866302
1	15105001	15110000	15109364
1	16820001	16825000	16823365
570			**59,428,729**

Categories of Shareholders
as on June 30, 2010

	Shareholder's category	No. of shareholders	Share held	Percentage
1	**Directors, Chief Executive Officer and their spouses and minor children**			
	Mr. Mussaid Hanif	1	21,256,516	35.7681
	Mr. Burhan Muhammad Khan	1	19,542,515	32.8840
	Mr. Arbab Muhammad Khan	1	2,857,300	4.8079
	Mr. Gauhar Abdul Hai	1	20,000	0.0337
	Mr. Syed Manzar Ul Islam	1	3,000	0.0050
	Ms. Tehniyat Mussaid	1	3,783,300	6.3661
	Ms. Sabah Burhan	1	2,432,800	4.0936
				-
	Total	**7**	**49,895,431**	**83.96**
2	**Banks, Development Financial Institutions, Non-Banking Financial Institutions**	2	3,826,698	6.44
3	**Modarabas & Mutual Funds**	1	286,500	0.48
5	**General public** - Local	545	4,485,369	7.55
6	**General public** - Foreign	2	7,000	0.01
7	Others	13	927,731	1.56
	Total	**563**	**9,533,298**	**16.04**
	GRAND TOTAL	**570**	**59,428,729**	**100**

ZEPHYR TEXTILES LIMITED

3rd Floor IEP Building, 97-B/D-1, Gulberg III, Lahore

PROXY FORM

I/We, ____

Of ____

being a member of **ZEPHYR TEXTILES LTD.** hereby appoint

____

(NAME)

of ______________________________ another member of the Company

or failing him / her ______________________________

(NAME)

of ______________________________ another member of the Company

(being member of the Company) as my/our proxy to attend and vote for and on my/our behalf at the 12th Annual General Meeting of the Company to be held at its Registered Office, 3rd Floor IEP Building 97-B/D-I Gulberg III, Lahore on October 30, 2010 at 11:00 AM and at every adjournment thereof.

As witnessed given under my/our hand(s) this ______________ day of __________ 2010.

Affix Revenue stamps of Rs. 5/-

1. Witness:
   Signature: ______________
   Name: ______________
   Address: ______________

____
Signature of Member

2. Witness:
   Signature: ______________
   Name: ______________
   Address: ______________

Shares held ______________

Shareholders' Folio No. ______________

CDC A/c # ______________

NIC No. | | | | | | | | | | | | | |

NOTES:

1. Proxies, in order to effective, must be reached at the Company's Registered Office, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

2. CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their national identity Cards/ Passports in original to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her NIC or Passport. Representatives of Corporate members should bring the usual documents required for such purpose.