

**59th
Annual Report
2010**



HAFIZ
TEXTILE MILLS LIMITED

VISION AND MISSION STATEMENT

While keeping our fundamentals correct we shall build upon our recognition as a very good company known and established for our principled and honest business practices and continue to strive for high standards of quality to regain the reputation earned duly in last fifty nine years.

We are committed to the higher expectations of our customers and through optimum utilization of available resources, make the Company viable and profitable so as to generate adequate profit to make reasonable returns on shareholders equity.

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NOTICE OF MEETING

Notice is hereby given that the 59th Annual General Meeting of shareholders of the **Hafiz Textile Mills Limited** will be held on Thursday, 28th October, 2010 at 8:00 a.m. at the Registered Office of the Company, 97, Alliance Building, 2nd Floor, Moolji Street, Mereweather Tower, Karachi for the following purposes:

ORDINARY BUSINESS:

1. To confirm the Minutes of 58th Annual General Meeting held on 28th October, 2009.
2. To receive, consider and adopt the Annual Audited Accounts of the company for the year ended 30th June, 2010 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year ending 30th June, 2011 and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and approve remunerations along with utilities bills and others benefits on actual of Chief Executive and Directors.

Statement under Section 160 (1) (b) of the Companies Ordinance 1984 in respect of the special business to be considered at the meeting is being sent to the members along with a copy of this notice.

5. To transact any other business of the Company with the permission of the Chair.

By order of the Board

S. Shafiq Hassan
Company Secretary

Karachi: 6th October, 2010.

Notes:

1. The register of members of the company will remain closed and no transfer of shares will be accepted for registration from October 21, 2010 to October 28, 2010 (both days inclusive). Shares may be lodged for transfer with our Registrar, M/s. MG Associates (Pvt.) Limited, F-4/2, Mustafa Avenue, Block - 9, Behind "The Forum", Clifton, Karachi - Pakistan. Tel No. (9221) 35877806-09 (4 lines) Fax No. (9221) 35877810. Shareholders who have not yet submitted photocopy of computerized National Identity Card (NIC) to the company are requested to send the same at the earliest.
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote in his/her place. Proxies, complete in every respect, in order to be effective, must be received at the Registered Office of the company not less than 48 hours before the time of the meeting along with attested of NIC of shareholder.
3. Original NIC of shareholder is necessary to attend the AGM along with a photo copy of NIC to submit at the desk of reception.
4. Shareholders are requested to inform the company or registrar as to change of address, if any.



STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

The Shareholders approval will be obtained for the fixation of remuneration of the Chief Executive Officer, Mr. Fakhruddin Usmani Rs.25,000/- p.m. and Director, Mr. Quamruddin Usmani Rs.15,000 p.m. with re-imbusement of Utilities i.e. Electric, Gas, Telephone, Mobiles and medical expenses with effect from July 01, 2010 and Passed the following resolution:

“RESOLVED THAT the Remuneration of the Chief Executive Officer, Mr. Fakhruddin Usmani Rs,25,000/- p.m. and Director, Mr. Quamruddin Usmani Rs.15,000/- p.m. be and is hereby approved by the Board of Directors in its meeting held on 6th October, 2010 with effect from July 1, 2010 with re-imbusement of Utilities i.e. Electric, Gas, Telephone, Mobile and Medical expenses.”

For and on behalf of the board

S. Shafiq Hasan
Company Secretary

6th October 2010
Karschi:



DIRECTORS REPORT

We humbly and gracefully bow our heads before **Almighty Allah**, the Most Gracious and Merciful, who has rewarded and blessed your company with **His** innumerable bounties in the difficult times. The Directors of your company are pleased to present before you their 59th Annual Report along with audited Accounts for the year ended June 30, 2010.

Operating Results:	2010	2009
	(Rupees)	(Rupees)
Net profit before taxation	3,962,143	7,188,940
Taxation	591,676	665,200
Net profit after taxation	3,370,465	6,523,740
Appropriations:		
Proposed Dividend	--	164,639
Transfer to accumulated loss account	3,370,465	6,359,101
Earning per share	2.81	5.44

OVERVIEW

The textile industrialists were greatly concerned over the adverse publicity inflicted on the country's image as a consequence of the events of 11 September 2001 and the recent terrorist attacks within the country. Undue war risk surcharge has been levied by all foreign shipping lines on consignments from and to Pakistan and fewer airlines are touching Pakistan airports due to which freight cost of exports has considerably increased.

The textile industrialists were of the common view that unless contamination free cotton is made available, value-added textile cannot be produced and exported.

Cost of electricity and gas is a major cost in the textile industry. In spite of the rates of utilities in Pakistan being higher than competing countries, their tariffs are increased on regular basis making the industry un-competitive.

Our mill can only be viable and profitable if latest machinery is imported and installed so as to create competitiveness and enhance market access. In order to achieve this, heavy financial investment will be required.

As mentioned in note 1.2 to the accounts, the Chinese machinery suppliers have raised their price due to increase trend of prices all over the world and devaluation of Pak Rupee against foreign currencies. The Management is under negotiations with financial institutions to manage funds for plant and machinery and working capital to restart the production activities.

DIVIDEND:

In view of losses carried forward, the Board of Directors have not recommended dividend for the year.

AUDITORS:

The present auditors M/s: **Moochhala Gangat & Co.**, Chartered Accountants retire and offer themselves for re-appointment. As suggested by the audit committee, the Board recommends their appointment as Auditors for the Company for the year ended June 30, 2011.



PATTERN OF SHAREHOLDING:

The Pattern of shareholding and the additional information as required by the Code of Corporate Governance is enclosed.

NO. OF BOARD MEETING HELD:

During the year under review, six meeting of the board of directors were held and the attendance of directors was as under:

Name of Directors	No. of Meeting attended
Fakhruddin Usmani	6
Quamruddin Usmani	6
Muhammad Farooq Usmani	6
Mahmood Wali Muhammad	5
Muhammad Atiq	6
Ali Muhammad Usmani	5
Muhammad Shahzad Fakir	5

However, leaves of absence were granted to the directors who could not attend the Board Meeting due to preoccupation.

AUDIT COMMITTEE

The board in compliance with the Code of corporate Governance has constituted an audit committee comprising of the following members:

Quamruddin Usmani , Muhammad Farooq Usmani , Mahmood Wali Muhammad

During the year under review, the committee has performed its functions satisfactory and in accordance with the Code of corporate Governance.

CODE OF CORPORATE GOVERNANCE:

We are in compliance with all the code of good corporate governance, which we think should be applicable to a company, which is not in production and has negligible activities. But the directors are doing their best efforts to comply the provisions set out by the Securities and Exchange Commission of Pakistan in near future. As regard the review it the same is concerned, in order to save the company from more expenditure the same was not offered for review to the statutory auditors.

ACKNOWLEDGEMENT:

We would like to place on record our deep appreciation for the efforts of the executives, officers and other staff members for their hard work, co-operation and sincerity to the company in achieving best possible results. The management is quite confident that these relation and cooperation will continue in the years to come.

FOR AND ON BEHALF OF THE BOARD

Fakhruddin Usmani
Chief Executive

Karachi:
6th October, 2010.



KEY OPERATING & FINANCIAL RESULTS FROM 2006 TO 2010

PARTICULARS	2010	2009	2008	2007	2006
	(Rupees in thousands)				
OPERATING DATA					
Sales (Net)				-	-
Cost of Sales				-	-
Gross Profit / (Loss)				-	-
Operating Expenses	4,121	3,539	3,373	3,240	3,547
Operating Profit / (Loss)	(4,121)	-3,539	-3,373	-3,240	-3,547
Financial Charges	15	20	10	7	8
Profit/ (Loss) Before Taxation	3,962	7,189	3,459	1,842	1,728
Profit/ (Loss) After Taxation	3,370	6,524	3,239	1,606	1,082
FINANCIAL DATA					
Paid up Capital	12,000	12,000	12,000	12,000	12,000
Equity Balance	-91,726	-96,071	-103,750	-108,162	-110,961
Long Term Loans	82,722	86,277	29,642	29,642	29,642
Fixed Assets (Net)	88,997	90,150	91,849	92,322	94,113
Current Assets	3,376	983	2,366	2,753	3,763
Current Liabilities	7,249	5,680	71,642	75,788	80,150
KEY RATIOS					
Gross Margin	-	-	-	-	-
Operating Margin	-	-	-	-	-
Net Profit	-	-	-	-	-
Return on Capital Employed	-3.67%	-6.79%	-3.12%	-1.48%	-0.98%
Current Ratio	0.47	0.17	0.03	0.04	0.05
Earning per share (Rupees)	2.81	5.44	2.70	1.34	0.90
Cash Dividend	-	7.5%	7.5%	-	-



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the code of corporate governance contained in Regulation No.37 of listing regulation of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interest on its Board of 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 taxpayers and none of them has defaulters in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, no casual vacancy was occurred and filled up in the board.
5. The Company has prepared has prepared s 'Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of 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 notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged Nil orientation courses for its directors during the year to apprise them of their duties and responsibilities.
10. There was no new appointment of CFO, Company Secretary or Head of Internal Audit Department during the year.
11. The directors' report for this year has been prepared in compliance with the requirements



of the code and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of 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 including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to the 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 keeping in view the shut down of the company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the person 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.


Fakhruddin Usmani
Chief Executive

Karachi:
5th October, 2010.



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of HAFIZ TEXTILE MILLS LIMITED ("the Company") as at **June 30, 2010** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

1. The Company closed down its manufacturing operations and this closure was necessitated by the losses being suffered due to fiscal policies of the Government adversely affecting local manufacturers. The management has considered a number of options for restructuring the business operations to run the Company and has started to provide warehousing facilities (refer note 1.2 to the financial statements). Consequently the assets and liabilities should have been stated at their realizable and settlement values respectively.
2. The company has not carried out actuarial valuation, as required by IAS-19, in respect of gratuity dues for the reasons disclosed in note 4.7 to the accounts.
 - (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
 - (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
 - (c) in view of paragraph 1 & 2 above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof do not give a true and fair view of the state of the Company's affairs as at **June 30, 2010** and of the profit, its cash flows and changes in equity for the year then ended; and
 - (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Moochhala Gangat & Co.
Chartered Accountants
Karachi: 6th October, 2010.

Name of the audit engagement partner:
Mr. Hussaini Fakhruddin





BALANCE SHEET AS ON JUNE 30, 2010

ASSETS	NOTE	2010 RUPEES	2009 RUPEES RESTATED
Non-current assets			
Property, plant and equipment	5	88,996,539	90,150,340
Long term investments	6	1	1
		88,996,540	90,150,341
Current assets			
Stores and spares	7	-	-
Trade debts	8	-	-
Loans and advances	9	-	33,000
Deposits and income tax	10	778,022	556,191
Tax refund due from Government		774	-
Cash and bank balances	11	2,597,628	393,863
		3,376,424	983,054
Net assets in Bangladesh	12	1	1
Total assets		92,372,965	91,133,396
EQUITY AND LIABILITIES			
Capital and Reserves			
Authorized			
2,000,000 (2009: 2,000,000) ordinary shares of Rs.10/- each		20,000,000	20,000,000
Issued, subscribed and paid-up	13	12,000,000	12,000,000
Accumulated loss		(103,726,048)	(108,070,720)
		(91,726,048)	(96,070,720)
Surplus on revaluation of fixed assets	14	93,645,998	94,784,844
		1,919,950	(1,285,876)
Loan from directors	15	82,722,055	86,276,705
Deferred liabilities	16	482,000	463,000
Current liabilities			
Trade and other payable	17	6,474,019	5,014,367
Provision for taxation		774,941	665,200
		7,248,960	5,679,567
Contingencies and commitments	18	-	-
Total equity and liabilities		92,372,965	91,133,396

The annexed notes from 1 to 31 form an integral part of these financial statements.

Karachi:
6th October, 2010.


Fakhruddin Usmani
CEO


Quamruddin Usmani
Director


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

	NOTE	2010 RUPEES	2009 RUPEES
Sales		-	-
Direct expenses		-	-
		-	-
Administrative expenditure	19	(4,120,531)	(3,539,168)
Financial charges	20	(15,319)	(19,947)
Provisions and write off	21	-	(872,215)
		(4,135,850)	(4,431,330)
		(4,135,850)	(4,431,330)
Other income	22	8,097,993	11,620,270
Net profit before taxation		3,962,143	7,188,940
Taxation	23	(591,678)	(665,200)
Net profit after taxation		3,370,465	6,523,740
Earnings per share	24	2.81	5.44

The annexed notes from 1 to 31 form an integral part of these financial statements.

Karachi:
6th October, 2010.


Fakhruddin Usmani
CEO


Quamruddin Usmani
Director

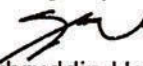


**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010**

	NOTE	2010 RUPEES	2009 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		3,962,143	7,188,940
Depreciation		1,806,704	1,714,009
Provision for gratuity		19,000	64,450
Financial charges		15,319	19,947
		1,841,023	1,798,406
Operating profit before working capital changes		5,803,166	8,987,346
Movement in Working Capital (Increase)/decrease in Current Assets			
Deposits		-	564,352
Loans and advances		33,000	627,513
		33,000	1,191,865
Increase / (decrease) in Current Liabilities			
Trade and other payable		1,372,695	(66,406,604)
		1,405,695	(65,214,739)
Cash generated / (used) from operations		7,208,861	(56,227,393)
Payments for			
Taxes		(704,542)	(360,139)
Gratuity		-	(342,700)
Financial charges		(15,319)	(19,947)
Net cash inflow / (outflow) from operating activities		6,489,000	(56,950,179)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(652,903)	(15,500)
Net cash outflow from investing activities		(652,903)	(15,500)
CASH FLOW FROM FINANCING ACTIVITIES			
Long Term loans from Directors		(3,554,650)	56,634,905
Dividend paid		(77,682)	-
Net cash (outflow) / inflow from financing activities		(3,632,332)	56,634,905
Net increase / (decrease) in cash and bank balances		2,203,765	(330,774)
Cash and bank balances at beginning of the year		393,863	724,637
Cash and bank balances at end of the year		2,597,628	393,863

The annexed notes from 1 to 31 form an integral part of these financial statements.

Karachi:
6th October, 2010.


 Fakhruddin Usmani
 CEO



 Quamruddin Usmani
 Director

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

	<u>Share Capital</u>	<u>Accumulated Loss</u>	<u>Total Rupees</u>
Balance as at July 1, 2008	12,000,000	(115,749,986)	(103,749,986)
Net profit for the year	-	6,523,740	6,523,740
Transferred from surplus on revaluation of fixed assets - Incremental depreciation for the year	-	1,218,646	1,218,646
Balance as at June 30, 2009	12,000,000	(108,007,600)	(96,007,600)
Prior year error (Note-27)	-	(63,120)	(63,120)
Balance as at June 30, 2009 - Restated	12,000,000	(108,070,720)	(96,070,720)
Net profit for the year	-	3,370,465	3,370,465
Transferred from surplus on revaluation of fixed assets - Incremental depreciation for the year	-	1,138,846	1,138,846
Dividends Final dividend for the year ended June 30, 2009 @ Rs. 0.75 per share. Rs. 900,000 Less: Waived of by the directors Rs. 735,361	-	(164,639)	(164,639)
Balance as at June 30, 2010	12,000,000	(103,726,048)	(91,726,048)

The annexed notes from 1 to 31 form an integral part of these financial statements.

Karachi:
6th October, 2010.


Fakhruddin Usmani
CEO


Quamruddin Usmani
Director



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2010

I. LEGAL STATUS AND OPERATIONS

1.1 Hafiz Textile Mills Limited (the Company) is a public limited Company incorporated in 1951 under the Companies Ordinance, 1984. The principal activity of the company is to deal in spinning of textile fibers. The shares of the Company are listed on the Karachi Stock Exchange. The registered office of the Company is situated at 97, Alliance Building, 2nd Floor, Moolji Street, Mereweather Tower, Karachi.

1.2 Going Concern

The company has ceased production activities since June 24, 1998 due to recession in textile market, frequent power failure and shut down and non availability of finance facilities which adversely affected the mill efficiencies.

The management plans to restart the production activities and modernise the Mills machinery in the near future. In this respect the management had meetings with Chinese supplier, who have now informed us that the prices of machinery offered earlier have increased and may further go up. Hence negotiations are underway.

As far as the other financing is concerned to start the mill, the same will be carried out with the assistance from the financial institutions. The management believes they will have no difficulty in obtaining new working capital and fixed financing. As such the management feels that the company is therefore a going concern.

The company management assumes that the company will continue its business in the foreseeable future, due to the problems in the textile sector i.e. increase in the prices of raw cotton, squeeze of the finance facilities and disconnection of our utilities. The company is bound to shutdown its productions but the company has taking steps to save the company from losses and to run the company profitable.

To meet its operating expenditures the Company has started warehousing facilities.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting Standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (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.

2.2 STANDARD, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE:

Effective in current year but not relevant

Following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009 and are also relevant to the Company. However, the adoption of these new standards and amendments to standards did not have any significant impact on the financial statements of the Company.

IFRS 2 (Amendment), Share based payment;

IFRS 8 Operating segments;

IAS 23 (Amendment) Borrowing costs;

IAS 28 (Amendment) Investment in associates;

IAS 36 (Amendment) Impairment of assets;

IAS 38 (Amendment) Intangible assets;

IAS 39 (Amendment) Embedded derivatives;

IFRIC 4 Insurance contracts;

IFRIC 13 Customers loyalty programmes;

IFRIC 15 Agreement for the construction of real estate;

IFRIC 16 Hedges of a net investment in a foreign operations; and

IAS 41 Agriculture

**Standard, amendments and interpretations effective in 2010**

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

IFRS 3 (Revised) Business combinations;
IAS 27 (Revised) Consolidated and separate financial statements;
IAS 39 (Amendments) Financial instruments: recognition and measurement;
IFRIC 15 Agreement for the construction of real estate;
IFRIC 17 Distributions of non-cash assets to owners;
IFRS 5 (Amendments) - improvements to IFRS - IFRS 5 Non-current assets held for sale and discontinued operations

2.3 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with approved accounting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are discussed in the ensuing paragraphs.

2.3.1 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

2.3.2 Taxation

In making the estimates for income taxes payable by the Company, the management looks at the applicable taxation laws.

3. ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

4.1 Property, Plant and Equipment**4.1.1 Operating Fixed Assets**

Operating fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a diminishing balance method at the rate mentioned in the relevant note. Depreciation is charged from the date the asset is put into operation and discontinued from the date the asset is retired.

Gain and loss on disposal of assets are included in the income currently.

4.1.2 Subsequent costs

The costs of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as they are incurred.

4.1.3 Impairment of Assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating concurrence of impairment loss or reversal of previous impairment losses. If any such indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversal of impairment losses are recognized in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.



4.2 Investments

Considering the materiality of amount and non marketability of these shares on Stock Exchange, these have been valued at a token value of Re. 1 instead of market value as required by IAS-39.

4.3 Stores and Spares

Stores, spares and loose tools are valued at average cost except for items in transit which are stated at cost incurred upto the balance sheet date. For items which are slow moving and / or identified as surplus the Company's requirements, adequate provision is made for any excess book value over estimated realizable value. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

4.4 Stock in Trade

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

Cost incurred in bringing each product to its present location and condition are accounted for as follows:

Raw and packing material except in transit/bond	at purchase cost on an average basis
Finished goods and work in progress	average production cost which includes cost of: Direct material Direct wages Direct expenses Overheads

Items in transit/bond are valued at cost comprising invoice values plus other charges incurred thereon upto the balance sheet date.

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

Trading goods are accounted for on cost which is the invoice value plus other expenses incurred to bring them to the point of sale.

4.5 Trade Debts

These are initially stated at fair value and subsequently measured at amortized cost using effective interest rate method less provisions for any uncollectible amounts. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

Trade and other payable

Trade and other amounts payable are recognized initially at fair value and subsequently carried at amortized cost.

4.6 Taxation

4.6.1 Current

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

4.6.2 Deferred

Deferred tax is recognized using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.7 Retirement benefits

The company operates an unfunded gratuity scheme and full provision is made for liability for gratuity payable to employees.

Gratuity dues are arrived at by multiplying the salary of each employee with the number of year in service.



Considering the financial condition of the company and basis adopted which is far more realistic and actual, the company has not carried out actuarial valuation as required by IAS-19.

4.8 Provisions

Provision are recognized when the Company has a present legal or constructive obligation as a result of past events, 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. Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

4.9 Foreign Currencies

Pakistan rupee (PKR) is the functional currency of the Company. Transaction in foreign currencies are recorded in PKR at the exchange rate approximating those prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are reported in PKR at the exchange rate approximating those prevalent at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies, are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of such transactions and translations are taken to income currently

4.10 Revenue Recognition

Revenue is recognized to the extent that it is probable that the future economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

Revenue from sales is recognized upon passage of title to the customers, which generally coincides with physical delivery.

4.11 Borrowing Cost

Borrowing Costs are recognized as an expense in the period they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the asset.

4.12 Related Party Transactions

Transactions with related parties are carried out on commercial terms and conditions.

4.13 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 include cash in hand and with banks and other short term highly liquid investments with maturities of three months or less. The fair value of cash and cash equivalents approximate their carrying amount.

4.14 Financial Assets and Liabilities

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on the recognition and de-recognition of the financial assets and financial liabilities is taken to the profit and loss account currently. Financial assets and liabilities, other than specifically mentioned in these policies, are carried at amortized cost. The fair value of these approximate their carrying value.

4.15 Off-setting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously and the same is required or permitted by IAS/IFRS or interpretations thereof.

5	PROPERTY, PLANT AND EQUIPMENT	NOTE	2 0 1 0 RUPEES	2 0 0 9 RUPEES
	Operating fixed assets	5.1	<u>88,996,539</u>	<u>90,150,340</u>



5.1 OPERATING FIXED ASSETS

Description	Owned Assets										Total	
	Leasehold land	Factory building on leasehold land	Residential building on leasehold land	Plant & machinery	Workshop tools and equipment	Electric fittings	Furniture and fixture	Office equipment	Vehicle			
COST												
Balance as at 01 July 2008	94,880,000	8,987,199	5,527,750	55,327,036	466,091	2,649,199	915,836	906,980	1,120,621			170,780,712
Additions	-	908,583	-	-	-	-	15,500	-	-	-	-	924,083
Balance as at 30 June 2009	94,880,000	9,895,782	5,527,750	55,327,036	466,091	2,649,199	931,336	906,980	1,120,621			171,704,795
Balance as at 01 July 2009	94,880,000	9,895,782	5,527,750	55,327,036	466,091	2,649,199	931,336	906,980	1,120,621			171,704,795
Additions	-	-	-	-	-	-	-	93,978	558,925			652,903
Balance as at 30 June 2010	94,880,000	9,895,782	5,527,750	55,327,036	466,091	2,649,199	931,336	1,000,958	1,679,546			172,357,698
DEPRECIATION												
Balance as at 01 July 2008	12,450,083	7,040,973	3,051,921	51,965,231	453,488	2,479,147	821,086	747,629	830,888			79,840,446
Charge for the year	948,800	202,194	123,791	336,181	1,260	17,005	10,896	15,935	57,947			1,714,009
Balance as at 30 June 2009	13,398,883	7,243,167	3,175,712	52,301,412	454,748	2,496,152	831,982	763,564	888,835			81,554,455
Balance as at 01 July 2009	13,398,883	7,243,167	3,175,712	52,301,412	454,748	2,496,152	831,982	763,564	888,835			81,554,455
Charge for the year	948,800	265,262	117,602	302,562	1,134	15,305	9,935	15,908	130,196			1,806,704
Balance as at 30 June 2010	14,347,683	7,508,429	3,293,314	52,603,974	455,882	2,511,457	841,917	779,472	1,019,031			83,361,159
CARRYING AMOUNT - 2009	81,481,117	2,652,615	2,352,038	3,025,624	11,343	153,047	99,354	143,416	231,786			90,150,340
CARRYING AMOUNT - 2010	80,532,317	2,387,353	2,234,436	2,723,062	10,209	137,742	89,419	221,486	660,515			88,996,539
RATE OF DEPRECIATION (%)	1%	10%	5%	10%	10%	10%	10%	10%	20%			



- 5.2 The land & building have been professionally revalued on 17th October, 1995 by a listed valuer of State Bank of Pakistan. Mr. Iqbal A. Nanjee, B. SC & Government Survey License Holder of M/s. Iqbal A. Nanjee & Company on the basis of market value and replacement value with corresponding amount appearing as "SURPLUS ON REVALUATION OF FIXED ASSETS".
- 5.2 The leasehold land was professionally reappraised on 17th October, 1995 a listed valuer of State Bank of Pakistan. Mr. Iqbal A. Nanjee, B. SC & Government Survey License Holder of M/s. Iqbal A. Nanjee & Company respectively, producing a revaluation surplus of Rs.102,531,246. Thus an aggregate amount of Rs.102,531,246 was added to the book value of the respective assets with corresponding amount appearing as "surplus on revaluation of fixed assets".
- 5.3 Had there been no revaluation the status of revalued assets (after providing depreciation) would have been as follows:

	Cost	Accumulated Depreciation	Written down value as at June 30, 2010
Leasehold land	114,038	60,191	53,847
Factory Building on leasehold land	5,458,605	4,095,642	1,362,963
Residential building on leasehold land	2,199,643	1,423,789	775,854
	7,772,286	5,579,622	2,192,664

	Cost	Accumulated Depreciation	Written down value as at June 30, 2009
Leasehold land	114,038	59,647	54,391
Factory Building on leasehold land	5,458,605	3,944,202	1,514,403
Residential building on leasehold land	2,199,643	1,382,955	816,688
	7,772,286	5,386,804	2,385,482

6	LONG TERM INVESTMENT - QUOTED	Note	2010 RUPEES	2009 RUPEES
	Pan Islamic Steamship Company Limited		16,137	16,137
	288 (2009 : 288) Ordinary shares of Rs.100/- each			
	Less : Provision for diminution in value of investments		(16,136)	(16,136)
			<u>1</u>	<u>1</u>

Considering the materiality of amount and no trading in Stock Exchange in these share, these have not been carried at market value as required by IAS-39. However full provision has been made leaving a token value of Rs. 1.

7	STORES AND SPARES		2010 RUPEES	2009 RUPEES
	Stores		196,970	196,970
	Spares		2,531,821	2,531,821
			<u>2,728,791</u>	<u>2,728,791</u>
	Less: Provision for obsolete stock		(2,728,791)	(2,728,791)
			<u>-</u>	<u>-</u>

8	TRADE DEBTORS		2010 RUPEES	2009 RUPEES
	Trade debtors - unsecured considered good		2,012,797	2,012,797
	Less: Provision against doubtful debts		(2,012,797)	(2,012,797)
			<u>-</u>	<u>-</u>



	Note	2010 RUPEES	2009 RUPEES
9 LOANS AND ADVANCES			
Advances to employees - unsecured and considered good	9.1	-	33,000
Advances to suppliers & other		3,807,863	3,807,863
		<u>3,807,863</u>	<u>3,840,863</u>
Less: Provision against doubtful advances		(3,807,863)	(3,807,863)
		<u>-</u>	<u>33,000</u>
9.1 No advance has been made to the directors and the Chief Executive of the Company (2009:Rs.Nil).			
10 DEPOSITS AND INCOME TAX			
Deposits		121,686	121,686
Advance income tax		656,336	434,505
		<u>778,022</u>	<u>556,191</u>
11 CASH AND BANK BALANCES			
In hand		-	21,099
At bank in current accounts		2,597,628	372,764
		<u>2,597,628</u>	<u>393,863</u>
12 NET ASSETS IN BANGLADESH			
Board Loan Unit		10,196,790	10,196,790
Deduct: Loan from PICIC and interest accrued thereon		4,741,141	4,741,141
		<u>5,455,649</u>	<u>5,455,649</u>
Investment: 712,500 fully paid ordinary Shares of Rs.10/- each Hafiz Jute Mills Ltd.		7,125,000	7,125,000
Chittagong branch:			
Vehicles		106,085	106,085
Office equipment		24,319	24,319
Furniture and fixtures		3,641	3,641
		<u>134,045</u>	<u>134,045</u>
		<u>12,714,694</u>	<u>12,714,694</u>
Deducted: Accumulated depreciation		44,389	44,389
		<u>12,670,305</u>	<u>12,670,305</u>
Less: Written off during 1986-87		12,670,304	12,670,304
		<u>1</u>	<u>1</u>
13 ISSUED, SUBSCRIBED AND PAID-UP			
395,000 (2009:395,000) ordinary shares of Rs. 10/- each full paid		3,950,000	3,950,000
105,000 (2009:105,000) ordinary shares of Rs. 10/- each issued for consideration other than cash.		1,050,000	1,050,000
700,000 (2009:700,000) ordinary shares of Rs. 10/- each issued as fully paid bonus shares.		7,000,000	7,000,000
		<u>12,000,000</u>	<u>12,000,000</u>
14 SURPLUS ON REVALUATION OF FIXED ASSETS			
Opening balance		94,784,844	95,940,370
Transferred to accumulated loss:			
incremental depreciation for the year		(1,138,846)	(1,155,526)
		<u>93,645,998</u>	<u>94,784,844</u>



Note 2010 2009
RUPEES RUPEES

15 LOAN FROM DIRECTORS**- unsecured and considered good**

This represents unsecured interest free loan from directors and it is not repayable on demand.

16 DEFERRED LIABILITIES**16.1 Deferred taxation**

Taking into consideration the potential tax savings related to the tax loss carry forward there is no deferred tax liability as at June 30, 2010 (2009: Rs. Nil).

16.2 Gratuity

Opening balance	463,000	741,250
Add: Provision for the year	19,000	64,450
	<u>482,000</u>	<u>805,700</u>
Less: Payments made during the year	-	(342,700)
	<u>482,000</u>	<u>463,000</u>

16.2.1 Gratuity dues are arrived at by multiplying the salary of each employee with the number of year in service.

17 TRADE AND OTHER PAYABLE

Creditors		1,147,103	1,476,048
Accrued liabilities		1,480,681	1,490,741
Unclaimed dividend		662,720	575,763
Advance from customers		1,334,300	977,400
Deposits	17.1	1,354,800	-
War risk insurance premium		494,415	494,415
		<u>6,474,019</u>	<u>5,014,367</u>

17.1 All deposits are re-payable on demand and no interest is payable thereon.

18 CONTINGENCIES AND COMMITMENTS

18.1 The company has a contingent liability of 1.12 million in respect of "War Risk Insurance Dues" for the year 1971 imposed by Federation of Pakistan through its secretary commerce. The company has filed an appeal with High Court of Sindh and the case is still in progress. As a matter of prudence the company has provided a liability of 0.4 million.

18.2 During the year 1992, the company was served by a notice from High Court of Sindh in respect of termination of various employees. The notice says that company should pay 0.41 million as a compensation to them. The management is hopeful that the case will be in their favour.

18.3 During the year SECP vide its order EMD/233/253/2002-1131 dated May 20, 2010 under the provisions of Section 473 of the Companies Ordinance 1984 directed the Company to reverse the director's loan of Rs. 57,790,720 and write back advances from suppliers/creditors to the profit and loss account of the Company. The Company preferred appeal before SECP on June 15, 2010. Since the outcome of the above appeal is pending and in view of the fact that management is confident that appeals will be decided in Company's favour, no provisions has been made in these financial statements relating to above appeals.

18.4 There is no capital commitment outstanding at the year end (2009 Rs.Nil).

	Note	2010 RUPEES	2009 RUPEES
19 ADMINISTRATIVE EXPENDITURE			
Salaries, bonus and benefits	19.1	630,385	621,050
Electricity Expenses		226,551	165,329
Postage, telegram & telephone		107,914	89,742
Printing & stationery		56,373	47,487
Vehicle maintenance		185,530	138,921
Traveling expenses		15,090	-
Legal & professional charges		199,105	35,025
Auditor's remuneration	19.2	82,500	82,500
Fees & Subscription		105,018	89,709
Rent, rates & taxes		332,005	313,778
Repairs & maintenance		175,878	57,981
Depreciation		1,806,704	1,714,009
Entertainment		96,835	121,869
Advertisement		26,000	22,500
Other expenses		33,093	39,268
Commission expense		41,550	-
		<u>4,120,531</u>	<u>3,539,168</u>
19.1 These include retirement benefits of Rs. 19,000 (2009: 64,450).			
19.2 This includes:			
Annual audit fee		75,000	75,000
Half yearly review		7,500	7,500
		<u>82,500</u>	<u>82,500</u>
20 FINANCIAL CHARGES			
Bank charges		<u>15,319</u>	<u>19,947</u>
21 PROVISIONS AND WRITE OFF			
Deposits written off		-	564,352
Provision against advances to supplier and others		-	307,863
		<u>-</u>	<u>872,215</u>
22 OTHER INCOME			
- Income from non financial assets			
Rental income		7,963,931	7,002,002
Liabilities written back		134,062	4,618,268
		<u>8,097,993</u>	<u>11,620,270</u>
23 TAXATION			
Current		(774,943)	(665,200)
Prior		183,265	-
		<u>(591,678)</u>	<u>(665,200)</u>
23.1 Relation between Tax Expense and Accounting Profit			
Profit before taxation		<u>3,962,143</u>	<u>7,188,940</u>
Corporate tax rate		35%	35%



	2010					
	Carrying Amount	Contractual cash flows	Six months or less	Six to two months	Two to five years	More than five years
Loan from directors	82,722,055	(82,722,055)	-	-	(82,722,055)	-
Trade and other payable	6,474,019	(6,474,019)	(6,474,019)	-	-	-
	89,196,074	(89,196,074)	(6,474,019)	-	(82,722,055)	-

	2009					
	Carrying Amount	Contractual cash flows	Six months or less	Six to two months	Two to five years	More than five years
Loan from directors	86,276,705	(86,276,705)	-	-	(86,276,705)	-
Trade and other payable	5,014,367	(5,014,367)	(5,014,367)	-	-	-
	91,291,072	(91,291,072)	(5,014,367)	-	(86,276,705)	-

27.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

27.4 CAPITAL RISK MANAGEMENT

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

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

28 PLANT CAPACITY AND ACTUAL PRODUCTION

UNIT	2010			2009	
	CAPACITY		ACTUAL	CAPACITY	ACTUAL
Spindle installed	No.	1,120	Nil	1,120	Nil
Yarn production	Kgs.	119,504	Nil	119,504	Nil

The aforesaid capacity is based on three shifts working.

29 PRIOR YEAR ERROR

Last year incremental depreciation was overstated by Rs. 63,120 as a result surplus on revaluation of fixed assets was understated by Rs. 63,120.

30 AUTHORIZATION OF FINANCIAL STATEMENTS AND APPROPRIATIONS

These financial statements were authorized for issue on **6th October, 2010** by the Board of Director of the Company.

31 GENERAL

Figures have been rounded off to the nearest rupee.

arachi:
th October, 2010.

Fakhruddin Usmani
CEO

Quamruddin Usmani
Director



	Note	2010 RUPEES	2009 RUPEES
Tax on accounting profit		(1,386,750)	(2,516,129)
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes		611,807	1,850,929
Effect of change in prior years' tax		183,265	-
Tax charge		<u>(591,678)</u>	<u>(665,200)</u>
24 EARNING PER SHARE			
24.1 Basic earning per share			
Profit for the year		<u>3,370,465</u>	<u>6,523,740</u>
Weighted average number of ordinary shares in issue during the year		<u>1,200,000</u>	<u>1,200,000</u>
Earning per share		<u>2.81</u>	<u>5.44</u>

24.2 Diluted earning per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2010 and 2009 which would have any effect on the earnings per share if the option to convert is exercised.

25 DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVE EMOLUMENTS

During the year no remuneration has been paid to any director, chief executive or executives of the company (2009: Nil). Fee amounting to Rs.Nil (2009:Rs.Nil) was paid to directors for attending board meetings during the period.

26 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risk from its use of financial instruments:

- Credit risk
- Liquidity risk

27 CREDIT RISK

27.1 Exposure to credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and other receivabl

	2010 RUPEES	2009 RUPEES
Loans and advances	-	33,000
Deposits	121,686	121,686
Cash and bank balances	2,597,628	393,863
	<u>2,719,314</u>	<u>548,549</u>

27.2 LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:



FORM - "A"

Pattern of holding of shares held by the share holders as on 30th June, 2010.

No. of shareholders	From	To	Share Value Rs.10/- each	Total Share held
701	1	100		36,418
156	101	500		35,511
19	501	1000		15,445
29	1001	5000		69,305
11	5001	10000		77,113
6	10001	15000		73,514
4	15001	20000		75,092
6	20001	25000		139,637
12	25001	30000		312,885
3	30001	35000		100,342
4	35001	40000		146,582
1	115001	120000		118,156
952				1,200,000

Categories of Share Holders	No. of Share Holders	Shares Held	Percentage
Joint Stock Companies	4	2,164	0.18%
Insurance Companies	2	17,241	1.44%
Financial Institutions	5	140	0.01%
Investment Companies	2	10,903	0.91%
Directors, CEO and their spouse and minor children	22	419,728	34.98%
Associated Companies	1	118,156	9.85%
Individuals	916	631,668	52.64%
	952	1,200,000	100.00%

Joint Stock Companies	No. of Share Holders	Shares Held	Percentage
BCGA Punjab (Pvt) Limited		2,004	0.17%
Zam Zam Limited		40	0.00%
H.M. Investment (Pvt) Limited		20	0.00%
Fateh Textile Mills Limited		100	0.01%
	4	2,164	0.18%

Insurance Companies	No. of Share Holders	Shares Held	Percentage
State Life Insurance Corporation of Pakistan		17,041	1.42%
Pakistan Insurance Corporation		200	0.02%
	2	17,241	1.44%

Financial Institutions	No. of Share Holders	Shares Held	Percentage
Habib Bank Ltd. KSE Br., Karachi		6	0.00%
HBL A/c A.G. Ismail		2	0.00%
HBL A/c A.K. Haji Moosa		2	0.00%
Muslim Commercial Bank Ltd		100	0.01%
Habib Bank Limited. HS Branch. Karachi		30	0.00%
	5	140	0.01%

Investment Companies	No. of Share Holders	Shares Held	Percentage
Investment Corporation of Pakistan		3,003	0.25%
National Bank of Pakistan		7,900	0.66%
	2	10,903	0.91%

Directors, CEO and their spouse and minor children	No. of Share Holders	Shares Held	Percentage
Mr. Fakhruddin Usmani (C.E.O.)	1	36,000	3.00%
Mr. Quamruddin Usmani (Director)	1	35,000	2.92%
Mr. Muhammad Farooq Usmani (Director)	1	34,980	2.92%
Mr. Mahmood Wali Muhammad (Director)	1	36,000	3.00%
Mr. Muhammad Atiq (Director)	1	18,794	1.57%
Mr. Muhammad Shahzad Fakir (Director)	1	20,000	1.67%
Mr. Ali Muhammad Usmani (Director)	1	11,906	0.99%
Mrs. Sabra Fakhruddin (Spouse of Directors & CEO)	1	30,362	2.53%
Mrs. Zahida Quamruddin (Spouse of Directors & CEO)	1	27,455	2.29%
Mrs. Nasreen Farooq (Spouse of Directors & CEO)	1	25,831	2.15%
Mrs. Parveen Mahmood (Spouse of Directors & CEO)	1	21,598	1.80%
Mrs. Rukiya Atiq (Spouse of Directors & CEO)	1	21,612	1.80%
Mrs. Noor Fatima (Spouse of Directors & CEO)	1	24,700	2.06%
Miss. Kasht (Minor Children of Directors & CEO)	1	5,021	0.42%
Miss. Javeria (Minor Children of Directors & CEO)	1	7,100	0.59%
Miss. Resha (Minor Children of Directors & CEO)	1	8,068	0.67%
Miss. Sanabil (Minor Children of Directors & CEO)	1	9,000	0.75%
Miss. Rema (Minor Children of Directors & CEO)	1	6,600	0.55%
Miss. Zynal Al Saba (Minor Children of Directors & CEO)	1	5,476	0.46%
Mr. Muhammad Muneer (Minor Children of Directors & CEO)	1	10,735	0.89%
Mr. Atif Usmani (Minor Children of Directors & CEO)	1	9,848	0.82%
Mr. Shabbir Hassan (Minor Children of Directors & CEO)	1	13,642	1.14%
	22	419,728	34.98%

Associated Companies	No. of Share Holders	Shares Held	Percentage
Textile Trading Company Limited	1	118,156	9.85%
Individuals	916	631,668	52.64%
	952	1,200,000	100.00%



FORM OF PROXY

I, _____ NIC _____

of _____

being a member of HAFIZ TEXTILE MILLS LIMITED, and entitled to _____

vote (votes) hereby appoint _____ NIC _____

of _____ as my proxy _____

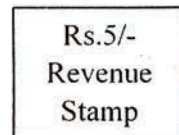
to vote for me and my behalf at 59th Annual General Meeting of the Company to be held on Thursday, 28th October, 2010 at 8:00 a.m. and at any adjournment thereof.

As witness my hand this _____ day of _____

Witness _____

Address _____

Signature



N.B.: 1 The proxy duly signed across 5/- rupees Revenue Stamp should reach the Company's Office at least 48 hours before the time of meeting. Please quote number of shares _____ Registered Folio No. _____. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote in his/her place. Such proxy must be a member of the company.

2 Original NIC of shareholder is necessary to attend the AGM alongwith a photo copy of NIC to submit at the desk of reception.

ANNUAL REPORT

2010

Chief Executive	:	Fakhruddin Usmani
Directors	:	Quamruddin Usmani
	:	Muhammad Farooq Usmani
	:	Mahmood Wali Muhammad
	:	Muhammad Atiq
	:	Ali Muhammad Usmani
	:	Muhammad Shahzad Fakir
Board of Audit Committee		
Chairman	:	Quamruddin Usmani
Members	:	Muhammad Farooq Usmani
		Mahmood Wali Muhammad
Chief Financial Officer	:	Muhammad Shahid Siddiqui
Company Secretary	:	S. Shafiq Hasan
Bankers	:	Habib Metropolitan Bank Ltd.
	:	HBL Bank Limited
	:	NIB Bank Limited
	:	National Bank of Pakistan
Auditors	:	Moochhala Gangat & Co., Chartered Accountants, Karachi.
Shares Registrar		MG Associates (Pvt.) Limited, F-4/2, Mustafa Avenue, Block - 9, Behind "The Forum", Clifton, Karachi.
Registered Office	:	97, Alliance Building, 2 nd Floor, Moolji Street, Mereweather Tower, Karachi-74000.
Mill at	:	D-9, S.I.T.E., Karachi.

BOOK POST

UNDER POSTAL CERTIFICATE

If undelivered please return to:

HAFIZ TEXTILE MILLS LIMITED

97, Alliance Building, Moolji Street, Mereweather Tower, Karachi-74000