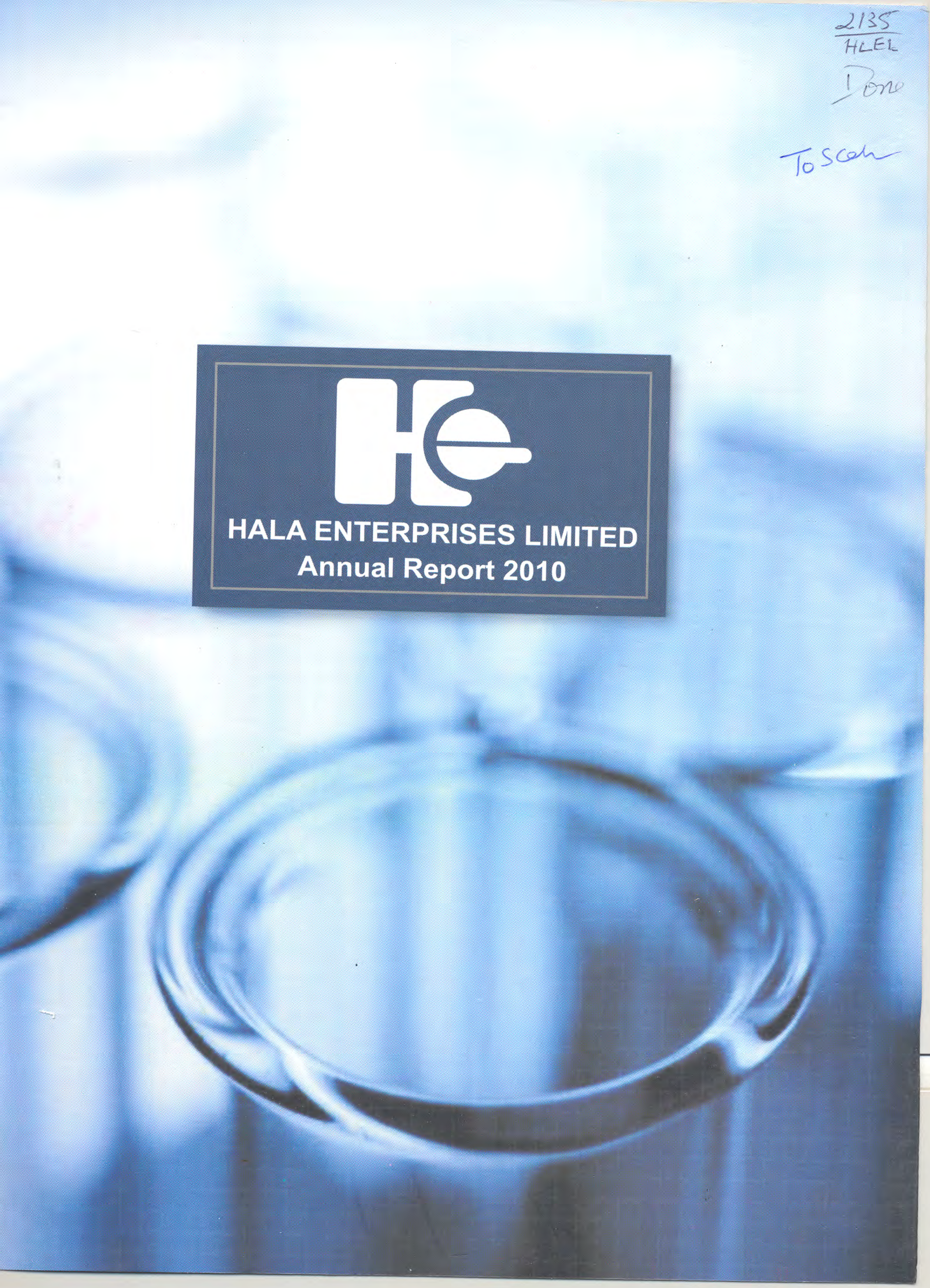

HALA ENTERPRISES LIMITED
Annual Report 2010

CONTENTS

Vision Statement

Hala Enterprises Limited strives to continue is path of market growth, consolidation and improvement in International market of very high value products. Our Vision is to establish a strong market presence, focused on customer loyalty and satisfaction on a Long Term Basis.

Mission Statement

The company should secure and provide a rewarding return on investment to its shareholders and investors, quality products to its customers, a secured and friendly environment at place of work to its employees, and present itself a reliable partner to all business associates.

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Tahir Jahangir	Chairman/Managing Director/Chief Executive
	Mr. Jillani Jahangir	Director
	Miss Munizae Jahangir	Director
	Miss Sulema Jahangir	Director
	Mr. Andrew McMullen	Director
	Sh. Ijaz Ahmad	Director
	Mr. Abdul Munaf	Director
AUDIT COMMITTEE	Mr. Jillani Jahangir	Chairman/Mamber
	Miss Sulema Jahangir	Mamber
	Sh. Ijaz Ahmad	Mamber
CHIEF FINANCIAL OFFICER	Mr. Abdul Munaf	
COMPANY SECRETARY	Rana Shakeel Shaukat	
AUDITORS	M/s Horwath Hussain Chaudhury & Co. Chartered Accountants	
BANKERS	Faysal Bank Limited NIB Bank Limited Askari Bank Limited	
REGISTERED OFFICE	120-E/1, Gulberg-III, Lahore Tel: 042-35761585-86 Fax: 042-35710235 E-mail: hala@halaenterprises.com	
SHARE REGISTRAR OFFICE	M/s Scarlet IT Systems (Pvt) Ltd 1st Floor, Hassan Plaza, 6-A, Jail Road, Lahore Ph. 042-37570202 Fax: 042-37234298 E-mail: hala@scarletsystems.com	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 38th Annual General Meeting of the Shareholders of **HALA ENTERPRISES LIMITED** will be held on Friday, October 29, 2010 at 10:00 A.M. at 120-E/1, Gulberg-III, Lahore the Registered Office of the Company, to transact the following business.

ORDINARY BUSINESS

1. To confirm minutes of Annual General Meeting held on October 30, 2009.
2. To receive and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2010 alongwith Directors and Auditors Reports thereon.
3. To appoint Auditors of the Company for the year ending June 30, 2011 and to fix their remuneration.
4. Any other business with the permission of the Chair.

By order of the Board

Lahore: October 08, 2010

(Rana Shakeel Shaukat)
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will be closed from October 22, 2010 to October 29, 2010 (both days inclusive).
2. Any member of the Company entitled to attend and vote may appoint a Proxy to attend and vote instead of him/her. Proxies must be received at the Registered Office of the Company not later than 48 hours before the Meeting.
3. Shareholders are requested to notify of any change in their addresses immediately to our Registrar M/s Scarlet IT Systems (Pvt) Limited 1st Floor, Hassan Plaza, 6A, Jail Road, Lahore Ph. 042-37570202 Fax: 042-37234298.

DIRECTOR'S REPORT

The Directors of your company take pleasure in presenting the 38th Annual Report on the operations of the company along with the audited financial statements for the year ended June 30, 2010.

This was a difficult year for the industry due to multiple reasons, sharp increase in cotton yarn prices and pressure on selling prices all over the world has squeezed our profit margins since this sharp rise in yarn prices could not be fully passed on to our customers. It has been very difficult for us to get appropriate price increase particularly from the customers in Europe. Moreover load management of Sui Gas and freely break down of electricity supply create lot of problems to comply export orders in time.

In spite of these unfavourable circumstances, sales revenue for the year increased from Rs.455 million to Rs.584 million, net increase in sales revenue is 28.66%. On the other hand the cost of sales has increased from Rs.348 million to Rs.492 million. Net increase in cost of sales is 41.37%. This Increase is due to sharp rise in yarn prices. As a result the gross profit decreased from Rs.106 million to Rs. 93 million compared to last year corresponding period.

During the year operating expenses of the company remained under control. An increase in operating expenses is only 1.46 % against increase in sales revenue of 28.66 %. The finance cost of the company has decreased from Rs.20 million to Rs.16 million by 22.36 %.

Management is committed and trying its best to increase quality products by replacing outdated local made looms with wamatex looms, that will help us to achieve even higher production with lower costs.

Financial and operating results

	2010 Rupees	2009 Rupees
Operating Profit	21,656,864	35,732,609
Finance Cost	(16,623,961)	(20,434,186)
Other operating Expenses	(5,904,869)	(2,180,743)
Other operating income	8,121,671	470,525
Profit before taxation	7,249,705	13,588,205
Taxation	(5,676,900)	(4,391,430)
Profit/(Loss) after taxation	1,572,805	9,196,775
Earning per share	**0.42**	**2.43**

STATEMENT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE

The Directors state that:

- The Financial statement prepared by the management of the Company, present fairly its state of Affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting polices have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The System of Internal Control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The Key operating and Financial Data of Last Six Years is Annexed.
- The Company operates an un-funded gratuity scheme covering all its permanent employees who attained the minimum qualification period.
- During the year under review Four meetings of the Board of Directors were held. Leave of absence was granted to Directors who could not attend some of the Board meetings. Attendance of each Director is summarized as follows:-

NAME OF DIRECTOR	NO. OF MEETINGS ATTENDED
Mr. Tahir Jahangir	4
Mr. Jillani Jahangir	4
Miss Munizae Jahangir	2
Miss Sulema Jahangir	4
Mr. Andrew McMullen	2
Mr. Abdul Munaf	4
Sh. Ijaz Ahmad	4

- The other Directors, Chief Financial Officer, Company Secretary and their spouses and minor children have made no sale/purchase of Company's Shares during the year.

EARNING PER SHARE

Earning per share for the year under review is Rs. 0.42

PATTERN OF SHARE HOLDING

A statement of the pattern of Shareholding of the Company alongwith categories as at June 30, 2010 Under Section 236 of the Companies Ordinance, 1984 is annexed with this report.

OPERATING AND FINANCIAL DATA

A summary of key financial and operating data of Last Six Years is Annexed herewith this report.

AUDITORS

The External Auditors of the Company, M/s Harwarth Hussain Chaudhury & Co., Chartered Accountants shall retire on the conclusion of forthcoming Annual General Meeting. Being eligible for re-appointment under the Companies Ordinance, 1984, they have offered their services as Auditors of the Company for the year ending June 30, 2011.

AUDIT COMMITTEE

Audit Committee was established by the Board to assist the Directors in discharging & responsibilities for Corporate Governance, Financial Reporting and Corporate Control. The Committee consists of three members including the Chairman of the Committee.

The Audit Committee reviews the internal and external audit activities, monitors compliance with statutory requirements for financial reporting and reviews the quarterly, half yearly and annual financial statements before they are submitted to Board. It also reviews the effectiveness of internal control system. It considers reports from internal and external auditors and from management, and report and makes recommendation to the Board. The Committee reviews the procedure for ensuring their independence with respect to the service performed for the Company and make recommendations to the Board of Directors.

During the year four meetings were held and attendance was as fallow:-

NAME OF DIRECTOR		NO. OF MEETINGS ATTENDED
Mr. Jillani Jahangir	Chairman	4
Miss Munizae Jahangir	Member	2
Mr. Andrew McMullen	Member	2
Miss Sulema Jahangir	Member	3
Sh. Ijaz Ahmad	Member	3

- Miss Sulema Jahangir and Sh. Ijaz Ahmad were appointed as Members in places of Miss Munizae Jahangir and Mr. Andrew McMullen.

ACKNOWLEDGEMENTS

We would like to confirm that the financial statement, prepared by the management of the listed company, fairly present its state of affairs and operations and proper books of accounts have been maintained according to the applicable and appropriate accounting policies and standards. A system of internal control has also been put in place to effectively implement and monitor the working of the company to ensure compliance with all relevant policies and guidelines as per the Code of Corporate Governance issued by the SECP.

We would like to take this opportunity to thank our customers, suppliers and bankers for their continue support and cooperation towards the progress of the company. We hope that this support would continue in the future as well.

We would also like to thank our dedicated and talented teem of executives, staff and workers for the hard work put in towards the companies performance for the year.

For and on behalf of the Board

(Tahir Jahangir)
Chairman/Managing Director

Lahore
October 08, 2010

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

The Company has applied the principles contained in the Code in the following manners:

1- The Board comprises Seven Directors including the CEO. The Company encourages representation of independent non-executive directors. At present the Board of Directors includes three 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 taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or and NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4- Casual Vacancy occurred in the Board during the year AND was filled up within stipulated time.

5- The Company has prepared a "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 along with the dates on which they were approved or amended has been maintained.

7- All the powers of the Board have been duly exercised and decision 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 in time.

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

10- The Board has approved appointment of CFO, Company Secretary and Heac of Internal Audit, including their remuneration and terms and 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 it fully describes the salient maters 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 of three Members, Two Members are Non-Executive Directors including the Chairman of Audit Committee.

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 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 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- The management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.

21- We confirm that all other material principles contained in the Code have been complied with except for the following, towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.

By order of the Board

(Tahir Jahangir)
Chairman/Managing Director

Lahore: October 08, 2010

PATTERN OF SHAREHOLDING AS AT 30-06-2010

SHAREHOLDING FROM		TO	NO. OF SHAREHOLDERS	TOTAL SHARES HELD
01	-	100	98	7,669
101	-	500	179	42,330
501	-	1000	231	157,762
1001	-	5000	82	203,317
5001	-	10000	20	141,326
10001	-	15000	6	70,320
15001	-	20000	2	39,100
20001	-	25000	2	41,395
25001	-	30000	3	83,200
30001	-	35000	1	30,200
35001	-	40000	1	40,000
55001	-	65000	3	177,700
100001	-	200000	4	662,644
200001	-	400000	3	1,050,144
1000001	-	1200000	1	1,032,893
			636	3,780,000

Numbers	Categories of Shareholders	Shares Held	Percentage
630	Others/Individuals	2,680,802	70.92
1	Investment Companies	20,395	0.54
2	Joint Stock Companies	1,072,893	28.38
2	Financial Institutions	4,910	0.13
1	Modaraba Companies	1,000	0.03
636		3,780,000	100.00

COMBINED PATTERN OF CDC & PHYSICAL SHAREHOLDING AT JUNE 30,2010

CATEGORY NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF SHAREH HELD	PERCENTAGE %
1	Other/Individuals	623	2,085,261	55.17
2	Investment Companies			
	Investment Corporation of Pakistan	1	20,395	0.54
3	Joint Stock Companies	NIL	NIL	-
4	Financial Institutions	2	4,910	0.13
5	Modaraba Companies	1	1,000	0.03
6	Foreign Companies	NIL	NIL	-
7	NIT	NIL	NIL	-
8	Public Sector Companies & Corporation	NIL	NIL	-
9	Directors, Chief Executive, Their Spouses & Minor Children			
	I M r. Tahir Jahangir	1	4,738	0.13
	II Mr. Jillani Jahangir	1	294,144	7.78
	III Miss Munizae Jahangir	1	147,441	3.90
	IV Suleema Jahangir	1	147,718	3.91
	V Mr. Andrew McMullen	1	500	0.01
	VI Mr. Abdul Munaf	1	500	0.01
	VII Sh. Ejaz Ahmad	1	500	0.01
10	Associated Companies Undertaking & Related Parties	2	1,072,893	28.38
11	Executives	NIL	NIL	NIL
12	Shareholding 10% or More Shares			
	I) **M/s Teejay Corporation (Pvt) Ltd.**	1,032,893		
	II) **Mrs. Sabiha Jillani**	396,000		
	TOTAL	**636**	**3,780,000**	**100**

Key Financial Data Last Six Year

PARTICULAR	2005	2006	2007	2008	2009	2010
Issued Subscribed and paid up capital	37,800,000	37,800,000	37,800,000	37,800,000	37,800,000	37,800,000
Capital Reserve	9,558,253	9,972,665	9,542,504	9,992,155	10,595,733	10,162,528
Long Term Loan- Secured	32,312,169	24,350,000	12,300,000	19,353,333	9,377,499	5,401,665
Deferred Liabilities	24,131,150	30,902,149	35,157,977	37,894,022	41,010,924	44,442,153
Current Liabilities	170,966,464	204,272,326	189,981,984	186,749,305	182,925,007	188,979,583
Operating Fixed Assets	66,761,218	113,965,714	114,444,366	115,264,587	109,261,441	114,144,295
Current Assets	173,341,207	212,818,339	190,641,831	187,214,979	189,327,013	189,803,565
Sale	367,647,553	391,344,833	461,827,048	429,153,364	454,602,014	584,907,715
Gross Profit	94,528,421	95,783,289	99,863,657	71,151,489	103,421,221	92,690,922
Operating Profit / (Loss)	28,007,273	22,398,315	32,812,827	5,257,943	35,732,609	21,656,864
Profit / (Loss) Before Taxation	18,799,961	12,039,987	8,687,609	(8,408,183)	13,588,205	7,249,705
Profit / (Loss) after Taxation	16,184,498	8,318,923	4,268,994	(12,522,095)	9,196,775	1,572,805

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 **HALA ENTERPRISES LIMITED**, to comply with the Listing Regulations of the Karachi Stock Exchange, the Lahore Stock Exchange and the Islamabad Stock Exchange, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires 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 undertaken at arms length price or not.

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

Horwath Hussain Ch & Co.

Lahore
Dated: October 08, 2010

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

(Engagement Partner: Abrar S. Chaudhury)

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of HALA ENTERPRISES LIMITED 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 therefore, 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 purpose of our audit.

It is 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 Statement 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 over all presentation of the above said statement. 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 account and are further in accordance with accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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 profit, comprehensive income, 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).

Horwath Hussain Ch & Co.

Lahore
Dated: October 08, 2010

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

(Engagement Partner: Abrar S Chaudhury)

BALANCE SHEET AS AT

	Note	2010 Rupees	2009 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital			
4,000,000 (2009: 4,000,000) ordinary shares of Rs. 10 each		40,000,000	40,000,000
Issued, subscribed and paid up capital	6	37,800,000	37,800,000
Reserves	7	10,162,528	10,595,733
Accumulated loss		(36,490,222)	(39,601,815)
		11,472,306	8,793,918
Surplus on Revaluation of Property, Plant and Equipment	8	57,536,226	59,075,014
Non Current Liabilities			
Long term financing	9	5,401,665	9,377,499
Liabilities against assets subject to finance lease	10	1,991,889	3,715,259
Deferred liabilities	11	44,442,153	41,010,924
		51,835,707	54,103,682
Current Liabilities			
Trade and other payables	12	78,847,995	56,337,724
Accrued mark up	13	3,930,905	11,242,816
Short term borrowings	14	83,910,000	84,143,087
Due to associated undertakings	15	8,979,151	-
Current and overdue portion of non current liabilities	16	7,634,632	26,809,950
Provision for taxation	17	5,676,900	4,391,430
		188,979,583	182,925,007
Contingencies and Commitments	18	-	-
		309,823,822	304,897,621

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

CHIEF EXECUTIVE

JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	19	114,144,295	109,261,441
Long term investments	20	1,761,825	2,195,030
Long term deposits	21	4,114,137	4,114,137
		120,020,257	115,570,608
Current Assets			
Stores and spares	22	12,533,331	12,433,918
Stock in trade	23	79,561,019	90,762,680
Trade debts	24	38,230,428	42,597,718
Advances, deposits, prepayments and other receivables	25	39,402,066	30,600,277
Sales tax refundable		5,819,106	5,659,098
Due from associated undertakings	26	11,607,349	5,828,056
Cash and bank balances	27	2,650,266	1,445,266
		189,803,565	189,327,013
		309,823,822	304,897,621

DIRECTOR

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

	Note	2010 Rupees	2009 Rupees
Sales	28	584,907,715	454,602,014
Cost of sales	29	(492,216,793)	(348,180,793)
Gross Profit		92,690,922	106,421,221
Operating expenses:			
-Selling and distribution costs	30	42,798,820	45,279,496
-Administrative expenses	31	28,235,238	25,409,116
		(71,034,058)	(70,688,612)
Operating Profit		21,656,864	35,732,609
Finance cost	32	(16,623,961)	(20,434,186)
Other operating expenses	33	(5,904,869)	(2,180,743)
Other operating income	34	8,121,671	470,525
Profit before Taxation		7,249,705	13,588,205
Taxation	17	(5,676,900)	(4,391,430)
Profit after Taxation		1,572,805	9,196,775
Earnings Per Share - Basic	35	0.42	2.43

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

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
Profit after Taxation	1,572,805	9,196,775
Other comprehensive income		
(Deficit) / surplus on remeasurement of investment available for sale	(433,205)	603,578
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year	1,538,788	1,424,189
Other comprehensive income for the year	1,105,583	2,027,767
Total Comprehensive income for the Year	2,678,388	11,224,542

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

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,219,705	13,588,205
Adjustments for:		
- Depreciation	7,161,566	6,704,192
- Provision for gratuity	6,958,262	6,558,207
- Dividend income	(44,295)	-
- Interest charged to associates - net	(759,010)	-
Receivables written off	524,000	152,223
- Waiver of loan from banking companies	(5,023,783)	-
- Excess liabilities written back	(1,804,309)	(236,180)
- Exchange loss	5,041,850	1,075,685
- Gain on disposal of property, plant and equipment	(490,274)	(233,890)
- Workers' (profit) participation fund	89,019	702,835
- Finance cost	16,623,961	20,434,186
	28,276,987	35,157,258
Operating profit before working capital changes	35,526,692	48,745,463
(Increase) / decrease in current assets		
- Stores and spares	(99,413)	499,380
- Stock in trade	11,201,661	(1,098,971)
- Trade debts	(674,560)	(22,930,230)
Advances, deposits, prepayments and other receivables	(8,320,206)	25,565,333
- Sales tax refundable	(160,008)	1,497,854
- Balances due to / from associated undertakings - net	3,199,858	(21,864,135)
Increase in current liabilities		
- Trade and other payables	24,928,397	14,684,834
	30,075,729	(3,645,935)
Cash generated from operations	65,602,421	45,099,528
Income tax paid	(6,038,714)	(4,628,660)
Finance cost paid	(23,176,862)	(19,914,715)
Workers' (profit) participation fund paid	(702,835)	-
Gratuity paid	(1,887,509)	(3,441,305)
Net Cash from Operating Activities	33,796,501	17,114,848
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13,229,146)	(892,156)
Proceeds from disposal of property, plant and equipment	1,675,000	425,000
Dividend income	44,295	-
Long term deposits	641,700	181,100
Net Cash used in Investing Activities	(10,868,151)	(286,056)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing	(15,348,885)	(10,364,565)
Short term borrowings	(233,087)	(2,837,591)
Dividends paid	(1,639,524)	-
Liabilities against assets subject to finance lease	(4,501,854)	(2,801,731)
Net Cash used in Financing Activities	(21,723,350)	(16,003,887)
Net Increase in Cash and Cash Equivalents	1,205,000	824,905
Cash and cash equivalents at the beginning of the year	1,445,266	620,361
Cash and Cash Equivalents at the End of the Year	2,650,266	1,445,266

CHIEF EXECUTIVE **DIRECTOR**

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

	Share Capital	Reserves			Accumulated Loss	Total
		Capital Reserve	Investment Revaluation Reserve	Revenue Reserve		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2008	37,800,000	2,274,287	717,868	7,000,000	(50,222,779)	(2,430,624)
Total Comprehensive income for the Year	-	-	603,578	-	10,620,964	11,224,542
Balance as at June 30, 2009	37,800,000	2,274,287	1,321,446	7,000,000	(39,601,815)	8,793,918
Total Comprehensive income for the Year	-	-	(433,205)	-	3,111,593	2,678,388
Balance as at June 30, 2010	37,800,000	2,274,287	888,241	7,000,000	(36,490,222)	11,472,306

CHIEF EXECUTIVE

DIRECTOR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Note 1
The Company and its Operations

The Company was incorporated in Pakistan as a Private Limited Company and was subsequently converted into a public limited company. The registered office of the Company is located at 120 - E / 1, Gulberg III, Lahore. Its shares are listed on Karachi, Islamabad and Lahore Stock Exchanges. The Company is primarily engaged in manufacturing and sale of terry towels, kitchen towels and terry cloth.

Note 2
Significant Accounting Policies

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board 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 Basis of measurement

These accounts have been prepared under the historical cost convention except to the extent of followings:

Employee retirement benefits (Gratuity)	Note 11.2	Present value
Certain property plant and equipment	Note 19	Revalued / Fair value
Investment in quoted companies	Note20	Fair value

2.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest rupee, unless otherwise stated.

Note 3
Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made.

Significant management estimates in these financial statements relate to the useful life and residual values of property, plant and equipment, provisions for doubtful receivables, provisions for defined benefit plans, slow moving inventory, obsolescence of inventory, export claims and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

Note 4
New / revised Standards and Interpretations

The following amendments of the existing standards have been published that are applicable to companies financial statements covering annual period, beginning on or after the following dates:

4.1 Amendment to published standards effective in current year and applicable to the Company

- IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual periods beginning on or after July 01, 2009), was issued in September 2007. The revised standard requires an entity to present, in a Statement of changes in equity, all owner changes in equity. All non owner's changes in equity (i.e. comprehensive income) will be required to be presented separately from owner's changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The Company has opted to issue two separate statements.

- IFRS 7 (Amendment), 'Financial Instruments Disclosure' that become effective for the financial years beginning on or after January 01, 2009, requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. The fair value measurement disclosures are presented in note 39 to these financial statements. The liquidity risk disclosures amendments are not expected to have a significant impact on the Company's financial statements.

- IFRS 8 - Operating Segments (effective from January 1, 2009). This standard requires the Company to determine and present operating segments based on the information that is provided internally to the Company's Chief Operating Decision Maker i.e., the organization's function which allocates resources to and assesses performance of its operating segments. Management has determined that the Company has a single reportable segment and therefore the adoption of the said IFRS has only resulted in some Company wide disclosures as described in note 41.

- Comparative information has been re-presented so that it is in conformity with the revised / new standards. Since the change in accounting policies only affect presentation / disclosures of financial statements, there is no impact on profit for the year and earnings per share.

4.2 Amendment to published standards effective in current year and not applicable to the Company

The following amendments to existing standard have been published that are not applicable to the Company's financial statements:

- IAS 23 'Borrowing Cost' certain amendments have been published that are applicable to the financial statements covering annual periods, beginning on or after July 01, 2009. Adoption of these amendments would require the Company to capitalize the borrowing cost directly attributable to acquisition, construction or production of qualifying assets (one that takes substantial period of time to get ready for the use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. The accounting policy of the Company is already in compliance with the proposed change.

- IAS 27 (Revised), 'Consolidated and Separate Financial Statement', is effective from July 01, 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The Standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognized in income statement.
- IAS 38 (Amendment), 'Intangible Assets' (effective from July 01, 2009). The amended standard states that the prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access of goods or receipts of services.

- IAS 39 (Amendment), 'Financial Instruments Recognition and Measurement' - Reclassification of Financial Assets (effective from July 01, 2009). These amendments to the standard permits an entry to reclassify non derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in the particular circumstances. The amendment also permits an entity to transfer from the available for sale category to the loans and receivable category, a financial asset that would have met the definition of loans and receivable (if the financial asset had not been designated as available for sale), if the entity has intention and ability to hold that financial asset for the foreseeable future.

- IFRS 2, 'Share based payment' (effective from 1 January 2009). This standard requires attribution of group share-based payment transactions only if they are equity settled. The amendments require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate financial statements.

- IFRS 3 (Revised), 'Business Combinations' (effective from July 01, 2009). The revised standard continues to apply the acquisition method to business combination with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisitions related costs should be expensed.

IFRS 4, 'Insurance Contracts' (effective from 1 July 2009). The standard prescribes the accounting treatment for embedded derivatives and deposit components to avoid the omission of assets and liabilities. It also permits an expanded presentation for insurance contracts acquired in a business combination or portfolio transfer and addresses limited aspects of discretionary participation features contained in insurance contracts or financial instruments.

Other Interpretations

		Effective Date (accounting period beginning on/after)
IFRIC 13	Customers Loyalty Programs	July 01, 2009
IFRIC 15	Agreement for the Construction of Real Estate	January 01,2009
IFRIC 16	Hedge of Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17	Distribution of Non-Cash Assets to Owners	July 01, 2009
IFRIC 18	Transfer of Assets from Customers	July 01, 2009

4.3 Amendments and Interpretation to published standards not yet effective

The following standards, interpretations and amendments in respect of approved accounting standards are for accounting periods beginning on or after January 01, 2010:

Standards or Interpretation

Revision / Improvements / Amendments to IFRSs in 2009		Effective Date (accounting period beginning on/after)
IAS 1	Presentation of Financial Statements	January 01, 2010
IAS 7	Statement of Cash Flows	January 01, 2010
IAS 17	Leases	January 01, 2010
IAS 32	Financial Instruments: Presentation	January 01, 2010
IAS 36	Impairment of Assets	January 01, 2010
IAS 39	Financial Instruments (Recognition and Measurement)	January 01, 2010
IFRS 1	First Time Adoption of International Financial Reporting Standards	January 01, 2010
IFRS 2	Share-based Payments	January 01, 2010
IFRS 5	Non current Assets Held for Sale and Discontinued Operations	January 01, 2010
IFRS 8	Operating Segments	January 01, 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

Revision / Improvements / Amendments to IFRSs in 2010

IAS 1	Presentation of Financial Statements	January 01, 2011
IAS 24	Related Party Disclosure	January 01, 2011
IAS 27	Consolidated and Separate Financial Statements	July 01, 2010
IAS 34	Interim Financial Reporting	January 01, 2011
IFRS 1	First Time Adoption of International Financial Reporting Standards	January 01, 2011
IFRS 3	Business Combinations	July 01, 2010
IFRS 7	Financial Instruments: Disclosures	January 01, 2011
IFRIC 13	Customer Loyalty Programs	January 01, 2011
IFRIC 14	The Limit on a Defined Benefit Assets	January 01, 2011

The Company expects that the adoption of above standards, amendments and interpretations will have no material impact on the Company's financial statements in the period of initial application.

5.1 Provisions

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

5.2 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under this scheme after completion of one year of continuous service. The benefit is calculated basing upon the number of completed years of service and last drawn gross salary.

5.3 Taxation

Current

Charge for taxation for the year on taxable profit is based on applicable tax rates after taking into account all tax credits and rebates available, if any.

5.4 Trade and other payables

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

5.5 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land that is stated at revalued amount. Buildings, plant and machinery and fittings and installations are stated at revalued amounts less accumulated depreciation.

The management reviews the market value of revalued assets at each balance sheet date to ascertain whether the fair value of revalued assets have differed materially from the carrying value of such assets, thus necessitating further revaluation.

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in Note 19. Depreciation on additions is charged from the month in which the asset was available for use upto the month in which the asset was disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of property, plant and equipment, if any, is shown in the profit and loss account.

Leased

The Company accounts for assets acquired under finance lease by recording assets and related liabilities. Principal values are determined on the basis of discounted value of total minimum lease payments to be paid by the Company. Finance costs are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liabilities. Depreciation is charged using the reducing balance method at the rates specified in Note 19 to write off the cost of assets over their estimated useful life.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

5.6 Impairment

Carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated and impairment loss is recognized in the profit and loss account.

5.7 Investments

In associated undertakings

Investments in associates are accounted for using the equity method. This method is applied from the date when significant influence is established until the date when that significant influence ceases.

Investments in associates other than those described above are classified as "Available for Sale".

Other investments

Investments are initially recognized at cost, comprising the consideration paid and cost of transaction except in the case of investment at fair value through profit or loss where transaction costs are charged to the profit and loss account when incurred. For listed securities, closing quotations of stock exchanges on last working day of the accounting year are considered for determining the fair value, while for unquoted securities, cost is considered as fair value of securities.

The classification is made on the basis of intended purpose for holding such investments. These are measured at the balance sheet date as under:

Available for sale

These are stated at fair value and changes in carrying value are recognized in equity until investment is sold or determined to be impaired at which time the accumulated gain or loss previously recognized in equity is included in the profit and loss account.

At fair value through profit or loss

These are securities which are acquired for the purpose of generating profit from short-term fluctuations in market price or dealer's margin, securities in a portfolio in which a pattern of short term profit taking exists or derivatives other than those held as hedging instruments.

Held to maturity

These are stated at amortized cost less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment loss is charged to the profit and loss account.

5.8 Stores and spares

These are valued at lower of moving average cost and net realizable value, except for items in transit that are valued at cost comprising the invoice value plus incidental charges paid thereon.

5.9 Stock in trade

These are valued at lower of cost and net realizable value and cost is determined by using the following basis:

Raw materials	- At average cost
Raw materials in transit	- At cost comprising the invoice value plus Other charges incurred thereon
Work in process	- At estimated average manufacturing cost
Finished goods	- Average manufacturing cost

Manufacturing cost in relation to work-in-process and finished goods comprises cost of materials, labour and appropriate manufacturing overheads.

Net realizable value signifies the estimated selling price at which goods in stock could be currently sold less any further costs that would be incurred to complete the sale.

5.10 Trade debts

All outstanding receivables are reviewed at the balance sheet date. The Company recognizes and carries these receivables at original invoice amount less an allowance for uncollectible amounts, if any. Bad debts are written off as incurred and provision is made against debts considered doubtful when the collection of the full amount is no longer probable.

5.11 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks.

5.12 Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of an instrument. It ceases to recognize financial assets when it loses control of contractual rights and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent remeasurement / derecognition is charged to income.

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.13 Foreign currency translation

Assets and liabilities in foreign currency are stated in Pak Rupees at the rates of exchange ruling on the balance sheet date or rate of exchange fixed under contractual agreements. Transactions in foreign currency are translated at the exchange rate prevailing at the date of transaction. All exchange differences are included in the profit and loss account.

5.14 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and its related parties or between two or more segments of the Company are at arm's length prices using the comparable uncontrolled price method except in circumstances where it is not the interest of the Company to do so.

5.15 Revenue recognition

- Local sales are recorded on dispatch of goods to customers.
- Export sales are recorded at the time of receipt of bill of lading.
- Dividend on equity investments is recognized as income when the Company's right to receive the dividend is established.

5.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

5.17 Borrowing costs

Borrowing costs are charged to income as and when incurred except those costs that are directly attributable to acquisition, construction or production of qualifying assets and are capitalized as part of the cost of assets.

5.18 Dividends

Dividends are recognized as a liability in the period in which these are declared.

Note 6

Issued, Subscribed and Paid up Capital

2010 Number	2009 Number		2010 Rupees	2009 Rupees
2,336,920	2,336,920	Ordinary shares of Rs. 10 each fully paid in cash	23,369,200	23,369,200
1,443,080	1,443,080	Ordinary shares of Rs. 10 each issued as bonus shares	14,430,800	14,430,800
3,780,000	3,780,000		37,800,000	37,800,000

6.1 1,032,893 (2009: 1,032,893) ordinary shares of the Company are held by Tee Jay Corporation (Pvt.) Limited and 40,000 (2009: 40,000) ordinary shares are held by Premier Garments Limited, associated undertakings, as at the balance sheet date.

Note 7

Reserves

Capital reserve	2,274,287	2,274,287
Investment revaluation reserve	888,241	1,321,446
Revenue reserve	7,000,000	7,000,000
	10,162,528	10,595,733

Note 8

Surplus on Revaluation of Property, Plant and Equipment

Land - freehold	42,936,960	42,936,960
Building	7,761,104	8,169,583
Plant and machinery	8,320,418	9,329,846
Fittings and installations	56,532	62,814
	59,075,014	60,499,203
Disposal of plant and machinery during the year	(347,820)	(84,938)
Incremental depreciation charged on revalued property, plant and equipment during the year transferred to retained earnings	(1,190,968)	(1,339,251)
	57,536,226	59,075,014

8.1 Revaluation of building, plant and machinery and fittings and installations was carried out by an independent valuer as at June 30, 1996 on the basis of depreciated replacement values and duly certified by an independent firm of Chartered Accountants that resulted in revaluation surplus of Rs. 54.410 million.

8.2 Latest revaluation of land was carried out by an independent valuer on April 15, 2006, that resulted in revaluation surplus of Rs. 47.387 million. Market value basis were used for revaluation of land.

Note 9
Long Term Financing

	Note	2010 Rupees	2009 Rupees
Loans from banking companies - Secured			
Demand finance	9.1	-	12,239,334
Term morabaha finance	9.2	-	1,000,000
State Bank of Pakistan's LTF - EOP Scheme	9.3	-	2,550,000
		-	15,789,334
Loan from related parties			
Directors	9.4	6,245,000	6,245,000
Associated undertakings	9.5	4,999,999	9,583,333
		11,244,999	31,617,667
Current and overdue portion	16	(5,843,334)	(22,240,168)
		5,401,665	9,377,499

9.1 Demand finance

	2010 Rupees	2009 Rupees
Opening liability	12,239,334	15,800,000
Payments / adjustments made during the year	(12,239,334)	(3,560,666)
	-	12,239,334
Current and overdue portion	-	(12,239,334)
	-	-

This loan was created by conversion of loans and overdue mark-up on loans from United Bank Limited amounting to Rs. 124.090 million. As per the decision of the State Bank of Pakistan dated November 26, 2004, the bank settled the outstanding liability at an amount of Rs. 61 million resulting in the waiver of Rs. 63.090 million. The outstanding loan has been repaid during the year and waiver of Rs. 3.239 million has been availed against this early payment. The entire loan has been repaid during the year.

9.2 Term Morabaha Finance

	2010 Rupees	2009 Rupees
Opening balance	1,000,000	2,200,000
Payments made during the year	(1,000,000)	(1,200,000)
	-	1,000,000
Current portion	-	(1,000,000)
	-	-

This represents term morabaha facility availed from Faysal Bank Limited for the BMR / extension plan of the Company. Pursuant to the State Bank of Pakistan's Scheme, Rs. 8.5 million from the outstanding loan liability were converted into long term financing under LTF - EOP Scheme. This loan has been repaid during the year.

9.3 LTF - EOP Finance

	2010 Rupees	2009 Rupees
Term Morabaha Finance converted into SBP's LTF - EOP Scheme	2,550,000	5,100,000
Payments made during the year	(2,550,000)	(2,550,000)
	-	2,550,000
Current portion	-	(2,550,000)
	-	-

This represents conversion of Term Morabaha Finance into State Bank of Pakistan's LTF - EOP Scheme the finance is repayable in 14 quarterly installments commencing from January 2007 and carried markup at 7% per annum. The loan has been repaid during the year.

9.4 Loan from directors

	2010	2009
Opening balance	6,245,000	7,470,000
Payments made during the year	-	(1,225,000)
	6,245,000	6,245,000
Current portion	(2,510,000)	(1,867,500)
	3,735,000	4,377,500

This represents unsecured loan obtained from directors to meet the working capital requirements of the Company. It carries mark up @ 10% per annum. This loan shall be repaid in 16 equal quarterly installments commencing from July 01, 2009.

9.5 Loan from associated undertakings

	2010	2009
Opening balance	9,583,333	10,000,000
Payment made during the year	(4,583,334)	(416,667)
	4,999,999	9,583,333
Current and overdue portion	(3,333,334)	(4,583,334)
	1,666,665	4,999,999

This represents loan from Tee Jay Corporation (Pvt.) Limited, an associated undertaking. The loan is repayable in 12 equal quarterly installments commencing from July 01, 2008 and carries mark up at 10% per annum.

Note 10

Liabilities Against Assets Subject to Finance Lease

	Note	2010 Rupees	2009 Rupees
The amount of future payments and the periods in which these payments shall become due are:			
- Overdue		67,927	2,690,525
- 2009 - 2010		-	2,508,738
- 2010 - 2011		2,081,947	2,081,947
- 2011 - 2012		1,806,249	1,806,249
- 2012 - 2013		284,188	284,188
		4,240,311	9,371,647
Financial charges not currently due		(457,124)	(1,086,606)
Present value of minimum lease payments		3,783,187	8,285,041
Current and overdue portion		(1,791,298)	(4,569,782)
		1,991,889	3,715,259

Reconciliation between total of minimum lease payments and their present values is as under:

	2010 Rupees	2009 Rupees
Gross minimum lease payments:		
- Due not later than one year	67,927	5,199,263
- Due later than one year but not later than five years	4,172,384	4,172,384
	4,240,311	9,371,647
Present value of minimum lease payments:		
- Due not later than one year	1,791,298	4,569,782
- Due later than one year but not later than five years	1,991,889	3,715,259
	3,783,187	8,285,041

10.1 The Company has entered into lease arrangements with various leasing companies. Minimum lease payments have been discounted at implicit interest rates ranging from 8% to 17% per annum, approximately, to arrive at their present values. The Company has the option to purchase assets at the end of their respective lease periods. There are no financial restrictions in lease agreements. These leases are secured against cash deposits, demand promissory notes and personal guarantees of some of the directors.

Note 11

Deferred Liabilities

	Note	2010 Rupees	2009 Rupees
Dividend payable to directors and others	11.1	541,012	2,180,536
Gratuity payable	11.2	43,901,141	38,830,388
		44,442,153	41,010,924

11.1 This represents dividend payable to directors and associated undertakings of the Company. Keeping in view the liquidity position of the Company, directors and associated undertakings of the Company deferred the repayment of dividends. During the year, dividends to associated undertaking have been paid and the remaining balance represents dividends payable to directors.

11.2 Gratuity payable

Latest actuarial valuation was carried out as at June 30, 2009 using the following significant assumptions:

Discount rate	12%	12%
Expected rate of salary increased in future years	11%	11%
Average expected remaining working life time of employees	9 years	9 years
Actuarial valuation method	Projected Unit Credit Method	

	2010 Rupees	2009 Rupees
The amounts recognized in the balance sheet are as follows:		
Opening balance	38,830,388	35,713,486
Cost recognized during the year	6,958,262	6,558,207
	45,788,650	42,271,693
Benefits paid during the year	(1,887,509)	(3,441,305)
Closing balance	43,901,141	38,830,388
Balance sheet reconciliation		
Present value of defined benefit obligation	42,831,677	37,760,924
Unrecognized actuarial gains	1,069,464	1,069,464
Closing balance	43,901,141	38,830,388
Cost for the year		
Current service cost	3,463,907	3,092,774
Interest cost	3,494,355	3,465,433
Charged to the profit and loss account	6,958,262	6,558,207

Note 12

Trade and Other Payables

	Note		
Creditors for:			
- Goods		36,502,731	28,204,912
- Services	12.1	18,028,179	3,823,437
Accrued liabilities		16,505,129	15,878,590
Advances from customers		6,769,410	6,743,058
Unclaimed dividend		900,863	900,863
Staff / suppliers income tax		52,664	84,030
Workers' (profit) participation fund		89,019	702,835
		78,847,995	56,337,725

12.1 This includes an amount of Rs. 12 million, payable on account of machinery purchased during the year from a commercial vendor. The outstanding amount is subject to interest @ KIBOR + 2.50%. The amount is repayable in 12 monthly installments.

Note 13
Accrued Mark up

	2010 Rupees	2009 Rupees
Long term financing	1,663,540	1,794,811
Liabilities against assets subject to finance lease	29,843	1,271,356
Associated undertakings	-	4,464,744
Short term borrowing	2,237,522	3,711,905
	3,930,905	11,242,816

Note 14
Short Term Borrowings

	Sanctioned limit	Note		
From banking companies - Secured				
Faysal Bank Limited	84 Million	14.1	83,910,000	83,910,000
Unpresented cheques		14.2	-	233,087
			83,910,000	84,143,087

14.1 This represents aggregate facilities obtained from Faysal Bank Limited for purchase of raw materials and post shipment finance. These facilities expired on June 30, 2010 and have been renewed subsequently. These facilities carry mark up ranging from 7.5% per annum to 6 months KIBOR + 3% per annum and available for maximum of 180 days from the date of finance or on maturity of individual finance. These facilities are secured against equitable and registered mortgage of property of the Company and its associates, lien over export documents drawn under letter of credits and / or contract, ranking charge over fixed and current assets of the Company for Rs. 134 million and personal guarantees of all the sponsoring directors.

14.2 This represents cheques issued but not presented as at the balance sheet date. There is no unpresented cheques as at balance sheet date.

Note 15
Due to Associated Undertakings - Unsecured

Tee Jay Corporation (Pvt) Limited	8,784,685	-
Due to directors	194,466	-
	8,979,151	-

15.1 Balances payable to associated undertakings are subject to mark up at 16% (2009: 10%) per annum.

Note 16
Current and Overdue Portion of Non Current Liabilities

Long term financing	5,843,334	22,240,168
Liabilities against assets subject to finance lease	1,791,298	4,569,782
	7,634,632	26,809,950

19.2 The revaluation of property, plant and equipment was carried out by an independent valuer as described in Note 8. Had there been no revaluation; cost, accumulated depreciation and book values of revalued assets would have been as follows:

	As on June 30, 2010		
	Cost	Accumulated Depreciation	Book value
	Rupees	Rupees	Rupees
Land	1,582,915	-	1,582,915
Building	21,051,167	12,202,391	8,848,776
Plant and machinery	81,665,731	44,867,897	36,797,834
Fittings and installation	697,570	537,889	159,681
	104,997,383	57,608,177	47,389,206

19.3 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of purchasers
	Rupees	Rupees	Rupees	Rupees	Rupees		
Plant and machinery:							
- Loom drop box	1,849,510	(1,493,650)	355,860	600,000	244,140	Cash	Malik Brothers Gujranwala
- Loom drop box	1,109,706	(896,190)	213,516	250,000	36,484	Cash	Younas Kapana
Vehicle LWA-7271	1,244,680	(518,783)	725,897	825,000	99,103	Cash	Mr. Saleem

Note 20
Long Term Investments

	2010 Rupees	2009 Rupees
Investment in associated undertakings - Available for sale		
Quoted		
Punjab Oil Mills Limited	1,072,825	1,506,030
29,530 (2009: 29,530) fully paid ordinary shares of Rs. 10 each		
Market value per share is Rs. 49.00 (2009: Rs. 51.00)		
Cost Rs. 184,584 (2009: Rs. 184,584)		
Percentage of equity held 0.96% (2009: 0.96%)		
Unquoted		
Premier Garments Limited	95,000	95,000
950 (2009: 950) ordinary shares of Rs. 100 each		
Percentage of equity held 1.36% (2009: 1.36%)		
Tee Jay Corporation (Pvt) Limited	594,000	594,000
59,400 ordinary shares of Rs.10 each		
Percentage of equity held 5.94% (2009: 5.94%)		
	1,761,825	2,195,030

20.1 Investments available for sale are measured at fair values in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). Quoted market value in an active market is considered as the fair value of the investment and the resulting difference between cost and the fair value is shown as a separate component of equity. Investments that do not have a quoted market price in an active market and whose fair value cannot be measured reliably are stated at cost.

Note 21
Long Term Deposits

	Note		
Lease margin deposit		642,420	760,120
Adjustable within 12 months transferred to current assets	23	-	(117,700)
		642,420	642,420
Deposits against utilities		3,471,717	3,471,717
		4,114,137	4,114,137

Note 22
Stores and Spares

Dyes and chemicals	3,622,429	3,812,630
Packing materials	1,532,510	1,564,703
Loom stores	4,640,260	4,102,619
Other stores	2,738,132	2,953,966
	12,533,331	12,433,918

22.1 No specific stores and spares are held for capital expenditures as at June 30, 2010 (2009: Nil).

Note 23

Stock in Trade

	2010 Rupees	2009 Rupees
Raw materials	18,558,735	7,686,916
Work in process	26,362,784	27,067,504
Finished goods	34,639,500	56,008,260
	79,561,019	90,762,680

Note 24

Trade Debts

Local debts (unsecured - considered good)	632,600	620,391
Foreign debts (secured against irrevocable letters of credit - considered good)	37,597,828	41,977,327
	38,230,428	42,597,718

24.1 This includes an amount of Rs. 10.610 million (2009: 3.471) due from Premier Garments Limited, an associated undertaking.

Note 25

Advances, Deposits, Prepayments and Other Receivables

	Note		
Advances - considered good:			
- Employees against salaries	25.1	1,696,362	1,209,223
- Employees for purchases		174,567	313,641
- Suppliers		18,376,970	12,951,866
Income tax deducted at source		8,303,322	6,656,038
Trade deposits:			
- Margin against export L/c		2,795,917	2,336,718
- Leased assets		490,460	1,132,160
- Others		240,073	240,073
Prepayments		418,159	400,391
Custom rebate receivable		3,452,714	3,298,836
Duty draw back receivables		3,453,522	2,061,330
		39,402,066	30,600,276

25.1 This includes an amount of Rs. Nil (2009: Nil) due from directors.

Note 26

Due from Associated Undertakings - Unsecured

Premier Garments Limited	11,607,349	3,610,267
Tee Jay Corporation (Private) Limited	-	2,217,789
	11,607,349	5,828,056

Note 27
Cash and Bank Balances

	2010 Rupees	2009 Rupees
Cash in hand	887,145	271,459
With banks in:		
- Current accounts	1,755,736	1,158,059
- Deposit account	7,385	15,748
	2,650,266	1,445,266

Note 28
Sales

Export	549,993,634	434,825,107
Local	23,806,041	16,522,545
	573,799,675	451,347,652
Duty draw back	7,170,007	-
Export rebates	3,938,033	3,254,362
	584,907,715	454,602,014

Note 29
Cost of Sales

	Note		
Raw materials consumed		259,832,145	176,768,109
Salaries, wages and benefits	29	65,554,817	57,369,995
Fuel and power		62,810,114	57,803,650
Stores, spares and chemicals consumed		41,508,820	31,274,408
Repairs and maintenance		1,714,220	1,021,568
Processing charges		4,094,004	3,577,610
Lease charges		4,800,000	4,800,000
Packing materials		23,117,150	13,969,632
Insurance		480,145	613,546
Depreciation	19	6,231,898	5,429,579
		470,143,313	352,628,097
Work in process inventory:			
- opening		27,067,504	23,881,260
- closing		(26,362,784)	(27,067,504)
		704,720	(3,186,244)
Cost of goods manufactured		470,848,033	349,441,853
Finished goods inventory:			
- opening		56,008,260	54,747,200
- closing		(34,639,500)	(56,008,260)
		21,368,760	(1,261,060)
		492,216,793	348,180,793

29.1 This includes Rs. 6.019 million (2009: Rs. 5.673) in respect of staff retirement benefits.

Note 30
Selling and Distribution Costs

	2010 Rupees	2009 Rupees
Commission on sales	17,217,760	15,459,012
Vehicle running expenses	-	203,735
Sea freight	3,879,107	8,116,914
Air freight	420,055	3,625,677
Freight, octroi and cartage	5,873,821	4,328,033
Clearing charges	6,421,018	5,752,211
Travelling and conveyance	2,681,055	3,141,705
Postage, telephone and telex	1,726,945	958,308
Insurance	30,380	196,348
Research and development	2,038,373	1,448,278
Samples	899,067	911,643
Discount on sales	1,503,088	1,007,153
Commission on rebate	108,151	130,479
	42,798,820	45,279,496

Note 31
Administrative Expenses

	Note		
Directors' remuneration		6,357,638	5,246,059
Salaries, wages and benefits	31.1	9,521,325	9,017,177
Travelling and conveyance		1,445,738	1,133,082
Postage, telephone and telex		2,017,484	1,746,865
Vehicles running expenses		2,428,174	2,112,490
Advertisement		71,580	144,545
Fuel and power		1,612,812	1,137,689
Printing and stationery		713,807	524,488
Rent, rates and taxes		560,899	583,295
Repairs and maintenance		1,016,322	1,341,697
Legal and professional charges		634,000	249,833
Gardening expenses		80,528	48,148
Insurance		228,734	142,429
Books and periodicals		50,763	39,121
Donations	31.2	-	136,368
Entertainment		565,766	531,217
Depreciation	19.1	929,668	1,274,613
		28,235,238	25,409,116

31.1 This includes Rs. 0.940 (2009: Rs. 0.886) in respect of staff retirement benefits.

31.2 None of the directors or their spouses have any interest in the donees.

Note 32
Finance Costs

	2010 Rupees	2009 Rupees
Interest / mark-up on:		
- Long term loans	2,256,571	2,252,964
- Finance lease	651,145	1,092,227
- Short term finances	7,609,602	10,874,503
	10,517,318	14,219,694
Bank charges	6,060,787	4,141,344
Interest on funds of worker's (profit) participation fund	45,856	-
Interest charged by associates	-	2,073,148
	16,623,961	20,434,186

Note 33
Other Operating Expenses

Auditors' remuneration:		
- Audit fee	187,500	187,500
- Other attestation services	62,500	62,500
	250,000	250,000
Exchange loss	5,041,850	1,075,685
Workers' (profit) participation fund	89,019	702,835
Receivables written off	524,000	152,223
	5,904,869	2,180,743

Note 34
Other Operating Income

Waiver of loan from banking companies	5,023,783	-
Excess liabilities written back - net	1,804,309	236,180
Gain on disposal of property, plant and equipment	490,274	233,890
Interest charged to associates net	759,010	-
Dividend income	44,295	-
Miscellaneous	-	455
	8,121,671	470,525

Note 35
Earnings per Share - Basic

	2010 Rupees	2009 Rupees
Profit after tax	1,572,805	9,196,773
Weighted average number of shares	3,780,000	3,780,000
Earnings per share - basic	0.42	2.43

Diluted earnings per share

There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitment that would result in dilution of earnings of the Company.

Note 36
Remuneration of Chief Executive, Directors and Executives

	2010			2009		
	Chief Executive	**Directors**	**Executive**	**Chief Executive**	**Directors**	**Executive**
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	397,440	1,425,300	926,700	369,290	1,202,187	683,823
House rent and utilities	178,560	783,900	509,700	203,110	661,203	376,103
Entertainment	64,960	6,000	3,600	125,505	13,076	-
Travelling and conveyance	671,158	1,390,320	-	513,090	1,095,372	3,300
	1,312,118	3,605,520	1,440,000	1,210,995	2,971,838	1,063,226
Number of persons	1	3		1	1	1

36.1 An executive is defined as an employee with basic salary of Rs. 500,000 or more.

36.2 The chief executive is provided with Company maintained car and residential telephone facility which is reimbursed to him.

Note 37
Transactions with Related Parties

Related parties and associated undertaking comprise related group companies, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the term of their employment, are as follows:

	2010	2009
	Rupees in Million	
Associates		
Loan repaid	(4.583)	(0.416)
Funds to associates - net	3.200	(21.864)
Services purchased	1.607	1.678
Goods sold / services provided	10.885	9.150
Payments of lease rentals	4.800	4.800
Net interest on amount due from / to associates	0.759	(2.073)

There were no transactions with key management personnel other than those undertaken as per terms of their employment that have been disclosed in Note 36.

Note 38
Capacity and Production

		2010	2009
No. of looms installed and worked (including taken on lease)		197	188
Standard production of looms worked	Kgs	1,559,400	1,562,400
Actual production	Kgs	1,092,302	939,313

Reasons for shortfall

Reasons attributable to under-utilization of optimal production capacity are mainly the shortage of labour, gas and power as well as change in design and quality resulting in an increase in weaving time etc.

Note 39

Financial Risk Management

39.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from foreign entities. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk during the year has been as under:

	2010	2009
	Rupees in thousands	
Trade debts	37,598	41,977
Gross balance sheet exposure	37,598	41,977
Outstanding letters of credit	-	-
Net exposure	37,598	41,977

The following significant exchange rates were applied during the year:

Rupees per US Dollar

	2010	2009
Average rate	84.25	78.82
Reporting date rate	85.40	81.10

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 1.880 million (2009: Rs. 2.099 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to equity and commodity price risk.

Sensitivity analysis

A change of 5% in the value of investments at fair value through profit and loss would have increased / decreased profit or loss by Rs. 53,641 (2009: Rs. 75,302) on the basis that all other variables remain constant.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, lease liabilities and short term borrowings. As the borrowings are obtained at variable rates. These expose the Company to cash flow interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2010	2009
	Rupees in thousands	
Floating rate instruments		
Financial liabilities		
Long term financing	11,245	31,618
Liabilities against assets subject to finance lease	3,783	8,285
Short term borrowings	83,910	84,143
Financial assets		
Bank balances - saving accounts	7	16

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs. 0.931 million (2009: Rs. 1.018 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2010	2009
	Rupees in thousands	
Long term deposits	4,114	4,114
Trade debts	38,230	42,598
Advances, deposits and other receivables	9,942	7,937
Cash and bank balances	1,763	1,174

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had sufficient short term borrowing available from financial institutions and Rs 2.650 million cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2010:

	Carrying Amount	Contractual cash flows	6-12 month	1-2 Years	2-5 Years
	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000
Long-term finances	11,245	12,370	6,427	4,595	1,348
Liabilities against leased assets	3,783	8,412	4,240	2,082	2,090
Trade and other payables	71,937	71,937	71,937	-	-
Accrued interest	3,931	3,931	3,931	-	-
Short term finances	83,910	91,042	91,042	-	-
	174,806	187,693	177,577	6,677	3,438

Contractual maturities of financial liabilities as at June 30, 2009:

	Carrying Amount	Contractual cash flows	6-12 month	1-2 Years	2-5 Years
	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000
Long-term finances	31,618	32,826	22,510	3,888	6,428
Liabilities against leased assets	8,285	9,371	5,199	2,082	2,090
Trade and other payables	48,892	48,892	48,892	-	-
Accrued interest	11,243	11,243	11,243	-	-
Short term finances	84,143	96,572	96,572	-	-
	184,181	198,904	184,416	5,970	8,518

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 9, Note 10 and Note 14 to these financial statements.

39.2 Fair values of financial assets and liabilities

Carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values.

Note 40

Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchase shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level and regulating its dividend payout thus maintaining smooth capital management.

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

As on the balance sheet date, the gearing ratio of the Company was as under:

	2010	2009
	Rupees in thousands	
Total borrowings	95,155	118,598
Cash and bank balances	2,650	1,445
Net Debt	97,805	120,043
Equity	11,472	8,794
Total Capital	109,277	128,837
Gearing Ratio	89.50%	93.17%

Note 41
Segment Information

For management purposes, the activities of the Company are recognized into one operating segments, i.e. manufacturing and sales of yarn. The Company operates in the said reportable operating segment based on the nature of the product, risk and return, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these financial statements related to the Company's reportable segment. Entity wide disclosures regarding reportable segment are as follows:

	2010	2009
Information about products:		
- Terry towel	96.06%	97.00%
Major customers:		
2 customers (2009: 4 customers)	53.74%	39.44%
Revenue from external customers attributed to foreign countries	94.03%	95.64%

- All non-current assets of the Company are located in Pakistan as at the reporting date.

Note 42
Authorization of Financial Statements

These financial statements have been authorized for issue by the Board of Directors of the Company on October 08, 2010.

Note 43
General

Comparative figures have been re-arranged / reclassified, wherever necessary, to facilitate comparison. No material rearrangements have been made in these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

FORM OF PROXY

LEDGER FOLIO ☐ SHARES HELD ☐

I/WE ______________________________

of ______________________________

appoint Mr. ______________________________

of ______________________________

(of failing him Mr. ______________________________

of ______________________________

(being a member of the Company) as my / our proxy to attend and vote for me / us / and my / our behalf at 38th Annual General Meeting of the Company to be held on Friday, October 29, 2010 at 10:00 A.M. and at every adjournment thereof, if any.

Signature by the said

____

REVENUE STAMP

Witnesses:

(1) Name ______________________________

NIC No. ______________________________

Address ______________________________

(2) Name ______________________________

NIC No. ______________________________

Address ______________________________

NOTE:

A member entitled to attend and vote at this meeting may appoint another member as proxy. Proxies in order to be effective, must be received at 120-E/1, Gulberg III, Lahore, the Registered Office of the Company not later than forty-eight hours before the time for holding the meeting and must by duty stamped, signed and witnessed.