Annual Report 2010

ICC Textiles Ltd

CONTENTS

COMPANY INFORMATION

Board of Directors	Mr. Shafiq A. Siddiqi	Chief Executive
	Mr. Javaid S. Siddiqi	
	Mr. Usman Haq	Company Secretary
	Mr. Pervaiz S. Siddiqi	
	Mr. Tariq Rehman	
	Mr. Haris Noorani	
	Mr. Suhail Mannan	
	Mr. Tahir Rehman	
Audit Committee	Mr. Javaid S. Siddiqi	Chairman
	Mr. Haris Noorani	Member
	Mr. Tahir Rehman	Member

Chief Financial Officer

- Mr. Javed Rashid

Auditors

- M/s. Anjum Asim Shahid Rahman
  Chartered Accountants

Bankers

- MCB Bank Ltd.
- Royal Bank of Scotland
- Faysal Bank Ltd.

Shares Registrar

Corplink (Pvt) Ltd.
Wings Arcade, I-K Commercial
Model Town, Lahore.
Ph: 042-35839182, 35916714
Fax: 042-35869037

Registered Office

242-A, Anand Road,
Upper Mall, Lahore.
Ph: 042-35751765-67
Fax: 042-35789206
Email: icctex@wol.net.pk

Factory

32-K.M, Lahore-Multan Road, Sunder
Distt. Lahore.
Ph: 042-37540726-27
Fax: 042-37540728

Notice of Annual General Meeting

Notice is hereby given that the Twenty-Second (22nd) Annual General Meeting of ICC Textiles Limited will be held at Company's Registered Office at 242-A, Anand Road, Upper Mall, Lahore on Saturday, October 30, 2010 at 11:00 a.m. to transact the following business:

ORDINARY

1. To confirm the minutes of the 21st Annual General Meeting held on October 30, 2009.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2010 together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending June 30, 2011 and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and pass the following special resolution with or without modification:

"RESOLVED that clause V of the Memorandum of Association of the Company be and is hereby substituted with the following clause:-

The Authorized Share Capital of the Company is Rs.220,000,000/- (Rupees Two Hundred and Twenty Million) divided into 22,000,000 Ordinary Shares of Rs.10/- each. The Company has power from time to time to increase, consolidate, sub-divide, reduce or reorganize its Capital and to divide the shares in the Capital for the time being into several classes in accordance with law.

RESOLVED further that clause 4 of the Articles of Association of the Company be and is hereby substituted with the following clause:-

The Authorized Share Capital of the Company is Rs.220,000,000/- (Rupees Two Hundred and Twenty Million) divided into 22,000,000 Ordinary Shares of Rs.10/- each."

5. Any other business with the permission of the chair.

By Order of the Board

Sd/-
USMAN HAQ
Company Secretary

LAHORE:
October 08, 2010

NOTES:

1. The Share Transfer Books of the Company will remain closed from 21.10.2010 to 30.10.2010 (both days inclusive). No transfer will be accepted for registration during this period.

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting. The CDC Account Holders are requested to bring their original CNIC and participant ID to attend the meeting.

3. Shareholders are requested to promptly notify the change in their address, if any to the Company's Shares Registrar M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore.

Statement u/s 160(1)(b) of the Companies Ordinance 1984.
This statement set out the material fact concerning Special Business given in Agenda Item No. 4 to be transacted at the Annual General Meeting of the Company.

Agenda Item No. 4
The purpose of increase of Authorized Capital of the Company from Rs.160,000,000/- to Rs.220,000,000/- is to accommodate right that may be issued in future to meet the demand of expanding business. The Directors of the Company have no interest in the above resolutions except as shareholder.

DIRECTORS' REPORT TO THE MEMBERS

On behalf of the board of directors, I take pleasure in presenting the Annual Report alongwith the Audited Financial Statements of the company pertaining to the financial year ending on June 30, 2010.

Financial Highlights

The company incurred a pretax loss of Rs. 144.207 million on total sales of Rs. 1,522.531 million as against a pretax loss of Rs. 69.801 million on total sales of Rs. 1,331.862 million in the preceding period.

● Total Sales	Rs.	1,522,531,021
● Gross Profit	Rs.	11,390,809
● Operating Loss	Rs.	-34,092,566
● Financial Charges	Rs.	110,899,493
● Loss before tax	Rs.	-144,206,879
● Loss after tax	Rs.	-145,138,293
● Unappr. Loss brought forward	Rs.	-279,881,271
● Total Accumulated Loss	Rs.	-408,027,287
● Loss per Share	Rs.	-14.51

Period under Review

We have managed to sustain another difficult year for the Textile Weaving industry which was hit hard by the unprecedented and unabated rise in domestic cotton and yarn rates mainly due to extra ordinary yarn demand from China. The domestic yarn rates continued to rise throughout the year and have almost doubled since Jul 2009 (20/s cotton yarn shot up from Rs. 680/10 Lbs in Jul 09 to Rs. 1,385/10 Lbs in Sep 10). The sharp increase provided an incentive for many yarn suppliers who either backed out of their commitments or exploited the yarn purchase contracts in the domestic market causing huge loss to the weaving industry. The government tried to intervene by introducing measures to restrain yarn exports to stabilize domestic yarn prices, through quantitative quotas and export regulatory duties. However, the government measures failed to rescue the weaving sector as the measures were ultimately withdrawn due to massive pressure from the Spinning sector.

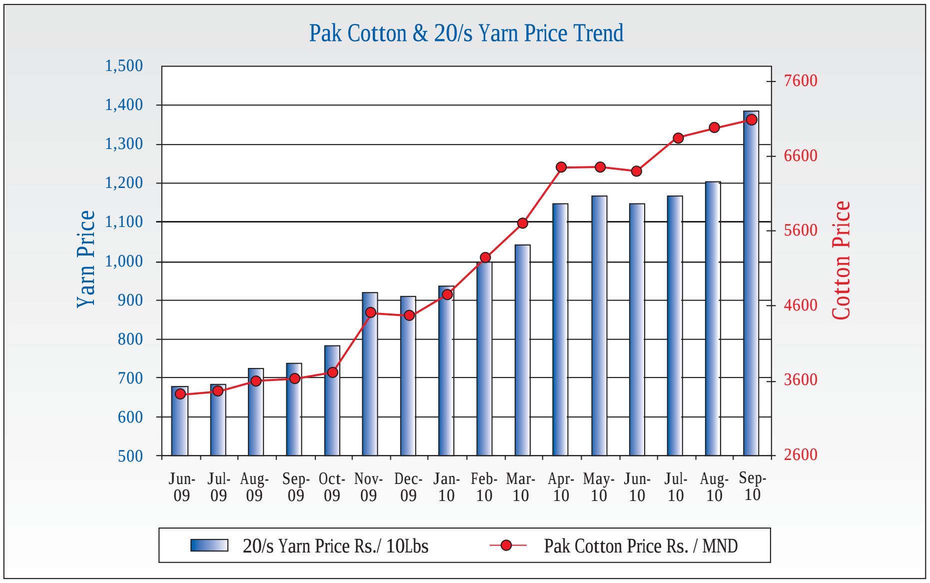
The yarn boom situation was followed by a corresponding rise in the fabric prices after a certain time lag, however, true benefit could not be availed as the yarn rising trend never leveled off.

The increased yarn and fabric prices resulted in additional burden on our working capital requirement, thus putting huge strain on our cashflow.

We continue to fight the menace of electricity load shedding, which has broken all past records. While the tariff continues to rise, the numerous interruptions during the year severely affected our production capacity. Moreover, frequent electrical shutdowns had a negative impact on fabric quality and fabric delivery schedules.

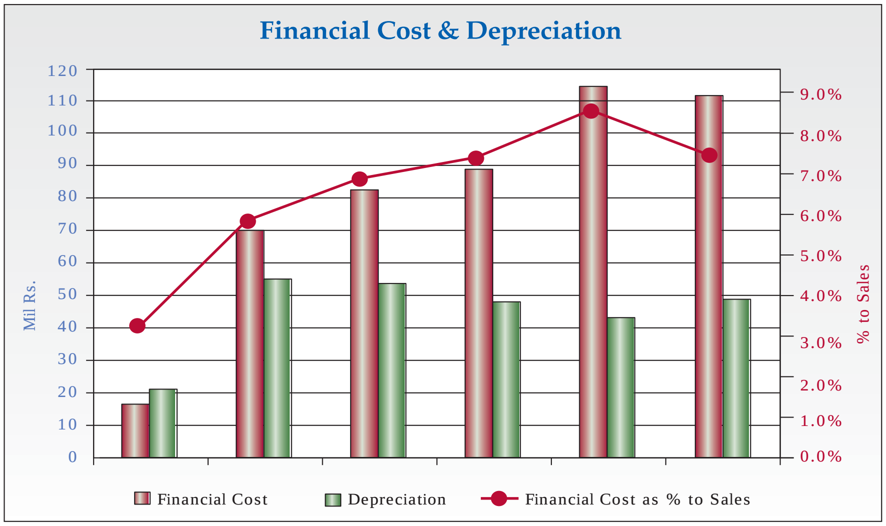
The following factors influenced the performance of the company during this period.

- The Company sales in Sq Meters at 60 picks were 33.133 Million (2009: 33.689 Million). The cost of sales increased by Rs. 8.72 per sq meter (at 60 picks), mainly



due to enhanced cost of raw materials and fuel & power, i.e. from Rs. 36.89 to Rs. 45.61, however, the net sale rate per sq meter (at 60 picks) increased by Rs. 6.42 i.e. from Rs. 39.53 to Rs. 45.95. The negative financial impact works out to Rs. 76 million aprox.

- Financial cost as a % of sales decreased to 7.28% (Rs. 110.900 Mil) from 8.61% (Rs. 114.720 Mil) due to slight reduction in interest rates.



- The fuel and power, including furnace oil, cost increased by Rs. 19,184,516 (15%) as compared to last year due to enhanced energy, diesel and furnace oil prices and extra diesel consumption due to accelerated scheduled and unscheduled electric load shedding.

- Although, the US$ exchange rate increased from Rs. 81.25 in June 2009 to Rs. 85.08 in June 2010, the benefit was not sufficient to offset the influence of enhanced raw material price and resultant inflationary impact on other input costs.

Future Strategy and Prospects

The continued rise in cotton and yarn price is depicting an increasing trend in demand for global textiles. The world economies are now recovering and there appears to be appetite for new textile inventories which had been declining for the past many years. We are now seeing much more fabric enquiries from local and foreign buyers who are willing to purchase at higher rates.

Moreover, the European Union has almost finalized the import duty waiver for numerous textile products from Pakistan which includes a number of Greige fabric categories.

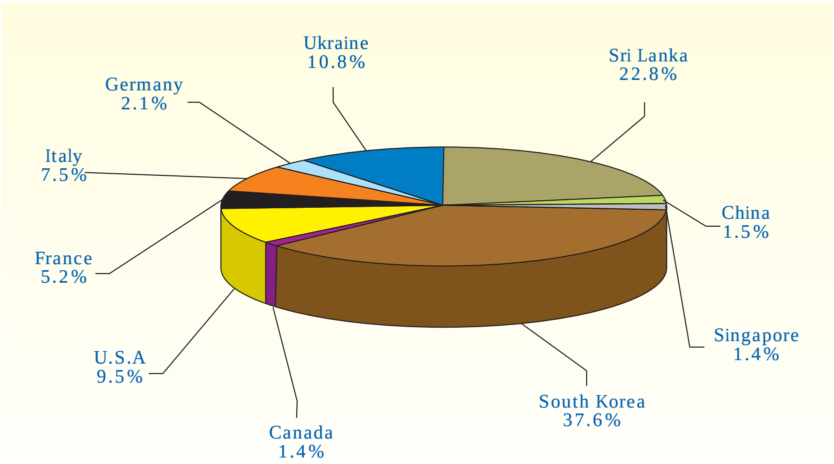
After an extremely bad year with respect to electrical load shedding, the government finally announced load shedding exemption for Industrial units based primarily on Pepco grid. Hence, we are pleased to inform that there was no scheduled load shedding at our plant since May 2010. We hope for this trend to continue. However, as the Pepco tariff has sharply risen to a high level, we are aggressively pursuing an alternate energy source. Our long overdue gas connection application is now under serious consideration by SNGPL and we are hopeful of a positive outcome shortly. Once we have the formal approval, the directors are committed to invest in a cogeneration power plant, which while providing cheaper and continuous power will also generate steam, thus resulting in huge saving of furnace oil cost.

In addition to the Rs. 40 Mil interest free loan from the Directors, the directors also intend to convert a portion of other interest bearing sponsors' loans into equity.

Therefore, it has been decided to further enhance the authorized share capital by Rs 60 million from Rs 160 million to Rs 220 million.

Our Export distribution in terms of value for the year is as follows:

- Europe 26 %
- Far East 63 %
- North America 11 %



Corporate and Financial Reporting Framework

In order to follow the SECP code of corporate governance, the following statements are given:

Presentation of Financial Statements

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

Books of Accounts

Proper books of accounts have been maintained by the Company.

Accounting Policies

Appropriate accounting policies have been consistently applied, except for the changes as described in note 2.2 to the financial statements, in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

International Accounting Standards (IAS)

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

Internal Control System

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

Going Concern

Without qualifying their opinion, Company's auditors, in their report, have drawn your attention to note 1.2 to the financial statements, which indicates that during the year the company incurred loss amounting to Rs. 145.138 million and has accumulated losses amounting to Rs. 408.027 million and negative working capital at the year end. The going concern of the company is dependent upon profitable operations, continued support from the sponsors / directors of the Company, satisfactory settlement of its long term loans from banks and compliance with the arrangements agreed with the financial institutions.

Considering continuous support from sponsors / directors, the management's commitment, downward adjustment of Pak rupee and setting up of proposed gas based energy generation, we are of the view that there are no significant doubts about the company's ability to continue as a going concern.

Corporate Governance

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations of stock exchanges.

Operating and Financial Data

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

Staff Retirement Benefits

Value of unfunded gratuity scheme, based on actuarial valuation, at the period end was Rs. 33.853 million (2009: Rs. 30.461 million).

Board Meetings

During the year July 2009 to June 2010, seven meetings of the Board of Directors were held. Attendances by the Directors were as follows:

	Name of Directors	Attendance	Remarks
1	Mr. Shafiq A. Siddiqi	7	
2	Mr. Javaid S. Siddiqi	5	
3	Mr. Usman Haq	7	
4	Mr. S. A. Mannan	0	Expired on 07-11-2009
5	Mr. Tariq Rehman	6	
6	Mr. Haris Noorani	7	
7	Mr. Suhail Mannan	6	
8	Mr. Tahir Rehman	7	
9	Mr. Pervaiz S. Siddiqi	3	Appointed on 02-12-2009

Pattern of Shareholding

The Pattern of shareholding as required by the Code of Corporate Governance is attached with this report.

Trading of Company Shares

During the financial year no share transfers involving Directors, Company Secretary, CFO and Executives of the Company (including their spouses and minor children) were reported.

However, following share transmission was reported by one director of the Company. Mr. Suhail Mannan 33,036 shares transmitted from his father Mr. S.A. Mannan (Late)

Audit Committee

The Audit Committee comprises 3 members, of whom 2 are non-executive directors.

Dividend

Considering the results for the year, the board is not recommending disbursement of any dividend for the period ended Jun 30, 2010.

Acknowledgement

This opportunity is also being availed to convey appreciation for continued hard work and devotion of the employees of the company.

For and on behalf of the Board of Directors

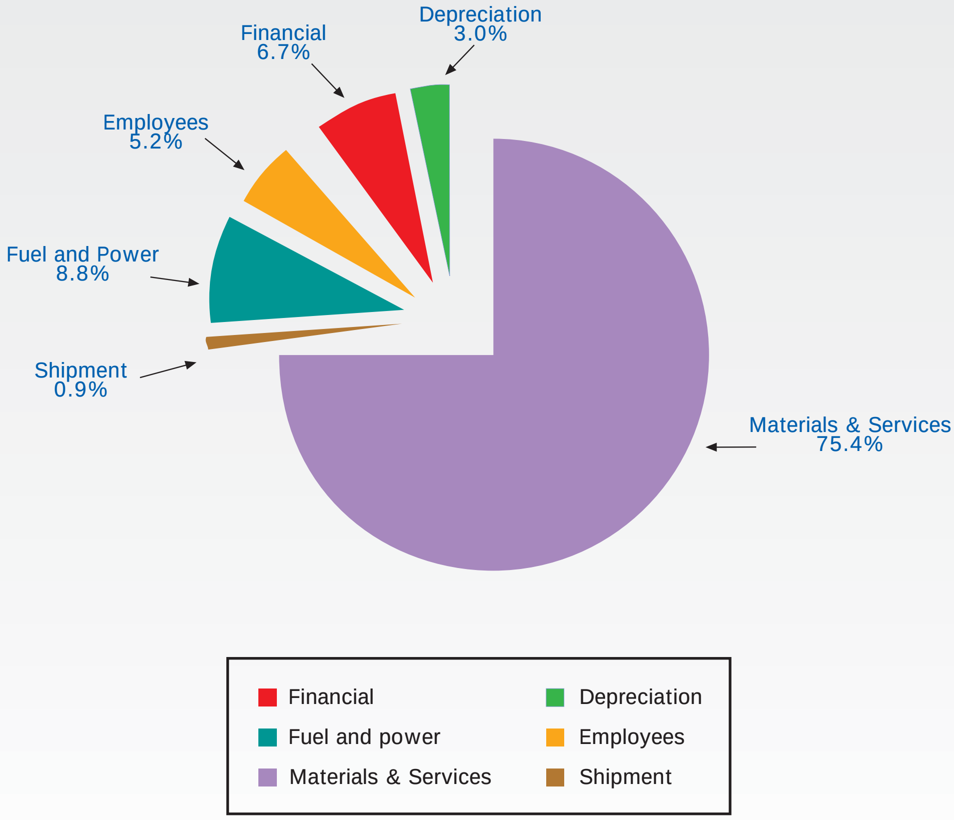
LAHORE: SHAFIQ A. SIDDIQI
October 08, 2010 Chief Executive

SIX YEARS AT A GLANCE

(Rs. in million)

	2005	2006	2007	2008	2009	2010
Sales	542.643	1,196.616	1,210.468	1,231.731	1,331.862	1,522.531
Gross profit/(loss)	58.685	103.815	71.919	(19.541)	88.954	11.391
Net profit/(loss) after tax	8.198	(32.663)	(78.219)	(161.919)	(74.016)	(145.138)
Fixed Assets	549.650	700.225	675.312	629.574	1,037.243	992.441
Long term liabilities	302.329	258.151	210.421	266.942	297.746	265.093
Retained earnings	66.937	34.273	(43.945)	(205.864)	(279.881)	(408.027)
Gross profit rate	10.8%	8.7%	5.9%	(1.6%)	6.7%	0.7%
Net profit rate	1.5%	(2.7%)	(6.5%)	(13.1%)	(5.6%)	(9.5%)
Current ratio	0.92:1	0.84:1	0.74:1	0.66:1	0.66:1	0.52:1
Share break up value (Rs.)	16.69	13.43	5.61	(10.58)	(17.99)	(30.80)
Earning per share (Rs.)	0.82	(3.27)	(7.82)	(16.19)	(7.40)	(14.51)
Dividend	Nil	Nil	Nil	Nil	Nil	Nil

BREAKUP OF COST



Statement of Compliance with Best Practices of Code of Corporate Governance

This statement is being presented to comply with the code of corporate governance contained in the relevant listing regulations of Karachi & Lahore Stock Exchanges 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 company encourage representation of independent non-executive directors on its Board of Directors. At present, the Board includes six 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 non of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI or being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring in the Board during the year was filled up by the directors within specified period.

5. The Company has prepared a 'Statement of Ethics and Business Practices' 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 decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of Chief Executive and other executive directors, have been taken by the Board.

8. The meeting of the Board were presided 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 an 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 Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive.

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, one of them, the chairman is executive director and two are non-executive directors.

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

17. The Board has set up an effective internal audit function comprised of personnel considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

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

LAHORE:
October 08, 2010

SHAFIQ A. SIDDIQI
Chief Executive

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE 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 ICC Textiles Limited ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges where the company is listed.

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

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

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

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

Engagement Partner:
ASIM IFTIKHAR
Chartered Accountants

LAHORE
Dated: October 08, 2010

Auditors' Report to the Members

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

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

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

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

b) in our opinion:

  i) the balance sheet and profit and loss account together with the notes thereon have, been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as described in note 2.2 with which we concur;
  ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

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

e) Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which indicates that during the year the Company incurred loss amounting to Rs.145.138 million and has accumulated losses amounting to Rs. 408.027 million at the year end. In addition, the Company has negative working capital at the year end. The going concern of the Company is dependent upon profitable operations, continued support from the sponsors/directors of the Company, satisfactory settlement of its long term loans from banks and compliance with the arrangements agreed with the financial institutions.

LAHORE:
October 08, 2010

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants
Engagement Partner: Asim Iftikhar

BALANCE SHEET
As At June 30, 2010

	Note	2010 Rupees	2009 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
16,000,000 ordinary shares of Rs. 10 each		160,000,000	160,000,000
Issued, subscribed and paid-up share capital	4	100,008,000	100,008,000
ACCUMULATED LOSS		(408,027,287)	(279,881,271)
		(308,019,287)	(179,873,271)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	5	478,414,294	495,406,571
LOANS FROM DIRECTORS AND MEMBERS	6	40,003,200	40,003,200
NON CURRENT LIABILITIES			
Long term financing from associated company	7	169,150,000	169,150,000
Long term financing from commercial banks	8	95,376,622	127,168,830
Liabilities against assets subject to finance lease	9	566,793	1,427,364
Deferred liabilities	10	33,853,029	30,460,991
Deferred taxation	5	135,782,855	144,932,543
CURRENT LIABILITIES			
Trade and other payables	11	152,058,736	101,048,534
Accrued markup	12	20,913,778	17,690,896
Short term borrowings	13	529,417,143	498,004,138
Current portion of long term liabilities	14	34,134,861	12,358,398
		736,524,518	629,101,966
CONTINGENCIES AND COMMITMENTS	15	--	--
		1,381,652,024	1,457,778,194

The annexed notes 1 to 43 form an integral part of these financial statements.

LAHORE:
October 08, 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	16	992,440,514	1,037,243,113
Assets subject to finance lease	17	5,218,846	6,213,764
		997,659,360	1,043,456,877
LONG TERM LOANS AND ADVANCES	18	148,000	273,800
LONG TERM DEPOSITS AND PREPAYMENTS	19	1,853,884	1,873,284
CURRENT ASSETS			
Stores, spare parts and loose tools	20	27,905,515	24,005,663
Stock in trade	21	228,873,000	212,651,786
Trade debts	22	60,212,200	122,429,424
Loans and advances	23	9,925,869	5,184,854
Trade deposits and short term prepayments	24	3,134,215	3,662,031
Other receivables	25	43,522,869	32,444,473
Income tax refundable		2,304,115	5,882,258
Cash and bank balances	26	6,112,997	5,913,744
		381,990,780	412,174,233
		1,381,652,024	1,457,778,194

Sd/-
Director

Sd/-
Chief Executive

PROFIT AND LOSS ACCOUNT
For The Year Ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
SALES	27	1,522,531,021	1,331,861,699
COST OF SALES	28	(1,511,140,212)	(1,242,908,119)
GROSS PROFIT		11,390,809	88,953,580
OPERATING EXPENSES			
Distribution cost	29	(20,103,621)	(20,457,632)
Administrative expenses	30	(24,660,784)	(23,245,761)
Other operating expenses	31	(718,970)	(774,113)
		(45,483,375)	(44,477,506)
OPERATING (LOSS) / PROFIT		(34,092,566)	44,476,074
FINANCE COST	32	(110,899,493)	(114,720,159)
		(144,992,059)	(70,244,085)
OTHER OPERATING INCOME	33	785,180	443,111
LOSS BEFORE TAXATION		(144,206,879)	(69,800,974)
TAXATION	34	(931,414)	(4,215,931)
LOSS AFTER TAXATION FOR THE YEAR		(145,138,293)	(74,016,905)
LOSS PER SHARE - BASIC AND DILUTED	35	(14.51)	(7.40)

The annexed notes 1 to 43 form an integral part of these financial statements.

LAHORE:
October 08, 2010

Sd/-
Director

Sd/-
Chief Executive

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
LOSS AFTER TAXATION FOR THE YEAR		(145,138,293)	(74,016,905)
OTHER COMPREHENSIVE INCOME			
Surplus on revaluation of property, plant and equipment	5	--	447,892,981
Less: Deferred tax arising on surplus on revaluation of property, plant and equipment	5	--	(144,932,543)
Other comprehensive income for the year - net of tax		--	302,960,438
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(145,138,293)	228,943,533

The annexed notes 1 to 43 form an integral part of these financial statements.

LAHORE:	Sd/-	Sd/-
October 08, 2010	Director	Chief Executive

CASH FLOW STATEMENT

For The Year Ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year before taxation		(144,206,879)	(69,800,974)
Adjustments for:			
Depreciation on property, plant and equipment	16.1	49,378,244	43,379,087
Depreciation on leased assets	17.1	994,918	1,169,421
Loss/(gain) on disposal of property, plant and equipment	16.2	17,112	(403,947)
Gain on disposal of leased assets		--	(67,135)
Staff gratuity	10	9,882,339	7,436,767
Finance cost	32	110,899,493	114,720,159
		171,172,106	166,234,352
		26,965,227	96,433,378
(Increase) / Decrease in current assets			
Stores, spare parts and loose tools		(3,899,852)	(737,576)
Stock in trade		(16,221,214)	(32,779,252)
Trade debts		62,217,224	42,074,086
Loans and advances		(4,741,015)	(1,161,827)
Trade deposits and short term prepayments		527,816	764,293
Other receivables		(11,078,396)	466,969
		26,804,563	8,626,693
Increase in current liabilities			
Trade and other payables		51,010,203	19,606,108
Cash generated from operations		104,779,993	124,666,179
Finance cost paid		(107,676,611)	(111,810,789)
Taxes paid		(6,502,959)	(6,541,157)
Gratuity paid	10	(6,490,301)	(2,440,413)
		(120,669,871)	(120,792,359)
Net cash (used in) / from operating activities	(A)	(15,889,879)	3,873,820

	Note	2010 Rupees	2009 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Long term loans and advances		125,800	135,300
Long term deposits and prepayments		19,400	1,473,600
Sale proceeds of property, plant and equipment	16.2	250,400	560,000
Sale proceeds of leased assets		--	499,101
Fixed capital expenditure		(4,843,157)	(4,015,740)
Net cash used in investing activities	(B)	(4,447,557)	(1,347,739)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings - secured		31,413,005	(41,152,256)
Long term financing from associated company		--	50,000,000
Long term financing from commercial banks - secured		(8,750,000)	(15,896,104)
Liabilities against assets subject to finance lease		(2,126,316)	(1,663,985)
Dividend paid		--	--
Net cash from / (used in) financing activities	(C)	20,536,689	(8,712,345)
Net increase / (decrease) in cash and bank balances	(A + B + C)	199,253	(6,186,265)
Cash and bank balances at the beginning of the year		5,913,744	12,100,009
Cash and bank balances at the end of the year		6,112,997	5,913,744

The annexed notes 1 to 43 form an integral part of these financial statements.

LAHORE:
October 08, 2010

Sd/-
Director

Sd/-
Chief Executive

STATEMENT OF CHANGES IN EQUITY
For The Year Ended June 30, 2010

Description	Paid-up Capital Rupees	Accumulated Loss Rupees	Total Rupees	Revaluation Surplus Rupees	Total Rupees
	A	B	C = A + B	D	E = C + D
Balance as at June 30, 2008	100,008,000	(205,864,366)	(105,856,366)	192,446,133	86,589,767
Total comprehensive income for the year - net of tax	--	(74,016,905)	(74,016,905)	302,960,438	228,943,533
Balance as at June 30, 2009	100,008,000	(279,881,271)	(179,873,271)	495,406,571	315,533,300
Total comprehensive income for the year - net of tax	--	(145,138,293)	(145,138,293)	--	(145,138,293)
Transfer from surplus on revaluation of property, plant and equipment-net of tax	--	16,992,277	16,992,277	(16,992,277)	--
Balance as at June 30, 2010	100,008,000	(408,027,287)	(308,019,287)	478,414,294	170,395,007

The annexed notes 1 to 43 form an integral part of these financial statements.

LAHORE:
October 08, 2010

Sd/-
Director

Sd/-
Chief Executive

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2010

1 STATUS AND NATURE OF BUSINESS

1.1 ICC Textiles Limited (the Company) was incorporated in Pakistan on May 25, 1989 as a public limited company under the Companies Ordinance, 1984. The shares of the Company are listed on the Lahore and Karachi Stock Exchanges in Pakistan. The principal activity of the Company is manufacturing and sale of grey fabric. The registered office of the Company is situated at 242-A, Anand Road, Upper Mall, Lahore.

1.2 During the year the Company incurred loss amounting to Rs.145.138 million and has accumulated losses amounting to Rs. 408.027 million at the year end. In addition, the Company's current liabilities exceeded its current assets by Rs. 354.533 million at the year end. Continuation of the Company as a going concern is dependent on its ability to attain satisfactory levels of profitability in the future and continuous support of financial institutions by bringing its liabilities to serviceable levels and ability of adequate working capital through continued support from:

(a) the principal lenders of the Company; and
(b) the sponsors of the Company.

These financial statements have been prepared on going concern basis on the grounds that the Company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose and bringing its liabilities to serviceable levels and availability of the adequate working capital from its lenders and sponsors. The financial statements consequently do not include any adjustment relating to the realization of the assets and liquidation of its liabilities that might be necessary would the Company be unable to continue as a going concern.

2 BASIS OF PREPARATION

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 of and directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Initial application of new standards, interpretations or amendments to existing standards

Starting 01 July 2009, the Company has changed its accounting policies in the following areas.

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

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

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

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

2.3 Standards, interpretations and amendments not yet effective

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 Accounting convention

These financial statements have been prepared under the historical cost convention except staff retirement benefits which are recognized at present value and free hold land, buildings and plant and machinery which has been carried at revalued amount as stated in notes 3.1 and 3.2 respectively.

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are discussed in Note 41.

2.6 Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff retirement benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) covering all eligible employees, payable at the cessation of employment. Provision is made annually to cover the obligations under the scheme.

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

- Discount rate	12% per annum
- Expected rate of salary increase in future	11% per annum
- Average expected remaining working life of employees	6 years

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

3.2 Property, plant and equipment

Fixed assets are stated at cost less accumulated depreciation and any identified impairment loss except free hold land, buildings and plant and machinery which have been carried at revalued amount less accumulated depreciation and any subsequent accumulated impairment losses. Additions subsequent to revaluation are stated at cost less accumulated depreciation and any identified impairment loss.

Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the erection / construction period and attributable expenses in bringing the assets to their working condition.

Depreciation on all property, plant and equipment except freehold land is charged to profit on straight line method with the exception of furniture and fixture, vehicles, electrical appliances, office equipment which are charged to profit on diminishing balance method, so as to write off the cost or revalued amount of an asset over its estimated useful life. Depreciation is being charged at the rates given in note 16.

Depreciation on additions to property, plant and equipment except freehold land is charged from the date of acquisition/capitalization/start of commercial production of the assets and depreciation on assets disposed off during the year is charged up to the date of disposal.

The asset's residual values and estimated useful lives are reviewed, at the time of revaluations and adjusted if impact on depreciation is significant. Previously, upto June 30, 2009, depreciation was provided on the following items of property, plant and equipment at annual rates mentioned below on reducing balance method:

Buildings on freehold land	10%
Plant and machinery	10%

Subsequent to June 30, 2009 the management carried out a comprehensive review of useful lives of buildings and plant and machinery as of June 30, 2009. Now the company charges depreciation in respect of such assets so as to write off the book value over their following remaining re-estimated useful lives taking into account their residual values:

Buildings on freehold land	26 Years
Plant and machinery	11-21 Years

The above cited change has been accounted for as a change in accounting estimate in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, change in accounting estimates and error".

Had there been no change in accounting estimate, the loss after tax for the year ended June 30, 2010 would have been higher by Rs. 31.472 million and carrying value of property plant and equipment as at that date would have been lower by Rs. 31.472 million.

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

Gain / loss on disposal of property, plant and equipment is reflected in the income during the period in which they are incurred. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

3.3 Finance leases

Assets subject to finance leases are stated at the lower of present value of the minimum lease payments under the lease agreements and the fair value of the assets.

The related obligations of leases, net of finance cost, are included in liabilities against assets subject to finance lease.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate of financial cost on the balance outstanding. The interest element of the rental is charged to income over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the rates given in note 17. Depreciation of the leased assets is charged to income currently.

Depreciation on additions to leased assets is charged from the date of acquisition of the assets and depreciation on assets disposed off during the year is charged up to the date of disposal.

3.4 Capital work in progress

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

3.5 Stores, spare parts and loose tools

These are stated at cost using moving average method except goods in transit which are stated at cost.

3.6 Stock in trade

Stock in trade is stated principally at lower of cost and net realizable value.

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

Raw materials	- At annual average cost
Work in process and finished goods	- At prime cost plus appropriate production overheads using weighted average
Wastes	- At net realizable value

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

3.7 Financial instruments

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

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

3.8 Loans and advances

These are stated at cost which represents the fair value of the consideration.

3.9 Receivables

Receivables are carried at original invoice amount less any estimates made for doubtful receivable balances based on review of outstanding amounts at the year end. Bad debts are written off when identified.

3.10 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.11 Borrowings

Loans and borrowings are recorded at proceeds received. Subsequent to initial recognition, loans and borrowings are stated at original cost less subsequent repayments. Finance costs are accounted for on accrual basis and are included in accrued markup to the extent of the amount remaining unpaid.

3.12 Finance cost and other charges

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized when incurred, whereas all other borrowing costs are expensed out in the period of incurrence. Finance cost and other charges on long term financing are capitalized up to the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such specific long-term financing. All other finance cost and other charges are taken to the profit and loss account.

3.13 Foreign currencies

Transactions in currencies other than Pak Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into wherein the rates contracted for are used.

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

3.14 Revenue recognition

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

- Export sales are recorded at the time of shipment. Exchange differences, if any, are adjusted in the period of realization.
- Local sales are recorded on dispatch of goods to the customers.
- Export rebates are accounted for on accrual basis.
- Interest income is recognized on time proportion basis.
- Investment income is recognized on time proportion basis.

3.15 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity, respectively.

Current

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

Deferred

Deferred taxation is accounted for on all material temporary differences by using the balance sheet liability method. However, deferred taxation is not provided if it can be established with reasonable probability that these differences will not reverse in the foreseeable future.

3.16 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed recoverable amount, assets are written down to their recoverable amount and the difference is charged to the profit and loss account.

3.17 Provisions

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

3.18 Cash and cash equivalents

These include short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

		Note	2010 Rupees	2009 Rupees
4	ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
	10,000,800 ordinary shares of Rs. 10 each fully paid in cash		100,008,000	100,008,000

4.1 2,878,100 shares of the Company are held by an associated company.

		Note	2010 Rupees	2009 Rupees
5	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
	Surplus arising on revaluation	5.1	614,197,149	640,339,114
	Less: Deferred tax arising on surplus on revaluation	5.2	135,782,855	144,932,543
			478,414,294	495,406,571

		2010 Rupees	2009 Rupees
5.1	Opening balance of surplus on revaluation	640,339,114	192,446,133
	Surplus arising during the year	--	447,892,981
	Incremental depreciation:		
	Buildings	2,683,103	--
	Plant and machinery	23,458,862	--
		26,141,965	--
		614,197,149	640,339,114

The revaluation of free - hold land, buildings on free - hold land and plant and machinery was carried out by Arch-e-decon (Evaluators, Surveyors, Architects and Engineers) as at June 30, 2009. The revaluation resulted in the following surplus:

	Rupees
Increase in carrying value of free - hold land	33,800,000
Increase in carrying value of buildings on free - hold land	69,760,685
Increase in carrying value of plant and machinery	344,332,296
	447,892,981

Incremental depreciation represents the difference between actual depreciation on revalued property, plant and equipment and equivalent depreciation based on historical cost of property, plant and equipment.

Surplus on revaluation of property, plant and equipment can be utilized by the company only for the purposes specified in section 235 of the Companies Ordinance, 1984.

		2010	2009
5.2	Related deferred tax liability on July 01	144,932,543	--
	Deferred tax liability arising on revaluation	--	144,932,543
	Tax effect on incremental depreciation	(9,149,688)	--
		135,782,855	144,932,543

6 LOANS FROM DIRECTORS AND MEMBERS

These represent interest free unsecured loans obtained for weaving expansion project to be adjusted against the proceeds of public issue in near future.

	Note	2010 Rupees	2009 Rupees
7 LONG TERM FINANCING FROM ASSOCIATED COMPANY - Unsecured			

These represent facilities obtained from Associated Company. The break up of these facilities is as follows:

	Note	2010 Rupees	2009 Rupees
Loan I	7.1	9,150,000	9,150,000
Loan II	7.2	60,000,000	60,000,000
Loan III	7.3	100,000,000	100,000,000
		169,150,000	169,150,000

7.1 The loan is not repayable within twelve months from the balance sheet date.

7.2 This loan has been obtained for Weaving Expansion Project and subordinated to banks to the extent of Rs. 40 million. Repayment of the loan will commence upon achievement of favorable debt equity ratio.

7.3 The loan has been subordinated to banks to the extent of Rs. 50 million. The loan is not repayable within twelve months from the balance sheet date.

7.4 The markup is charged at the same rates which are charged by the banks to the associated company ranging from 13.28% to 15.85% per annum.

8 LONG TERM FINANCING FROM COMMERCIAL BANKS - Secured	Note	Sanctioned Limit-Rupees	2010 Rupees	2009 Rupees
Royal Bank of Scotland - Term Loan	8.1	70,000,000	--	8,750,000
MCB Bank Ltd. - Term Loan	8.2	204,000,000	95,376,622	111,272,726
MCB Bank Ltd. - Demand Finance	8.3	63,584,416	31,792,208	15,896,104
			127,168,830	135,918,830
Current portion			(31,792,208)	(8,750,000)
			95,376,622	127,168,830

8.1 The loan was obtained for weaving expansion project and was payable in 8 equal semi annual installments, with one year grace period, commencing June 30, 2005. However, last installment of the loan amounting to Rs. 8.750M due on December 31, 2008 become payable on December 31, 2009 as per grace period allowed by State Bank of Pakistan by circular No. 01 dated January 22, 2009 and circular letter No. 01 of 2009 dated February 27, 2009 in payment of principal outstanding under LTF-EOP debt swap facility.

The markup rate was 6% per annum w.e.f December 31, 2006 when the loan was converted into SBP LTF-EOP.

8.2 The loan has been obtained for weaving expansion project and was repayable in 14 half yearly equal installments, with 18 months grace period, commencing March 31, 2006. However, after conversion in SBP LTF-EOP the total number of installments reduced to 13.

The markup rate is charged @ 7% per annum w.e.f December 18, 2006 when the loan was converted into SBP LTF-EOP.

The loan was rescheduled by MCB Bank Limited by deferring four half yearly installments of principal due from September 30, 2008 to March 31, 2010. Now these installments will be payable from September 30, 2011 to March 29, 2013. This rescheduling includes deferment of two half yearly installments of the loan due on March 31, 2009 and September 30, 2009 as per grace period allowed by State Bank of Pakistan in payment of principal outstanding under LTF-EOP debt swap facility.

8.3 Demand finance has been obtained from MCB Bank Limited under rescheduling arrangement of LTF-EOP facility. Repayment will be made in 2 equal instalments on 30.09.2013 and 29.03.2014. The markup is charged @ 6 month KIBOR plus 1% per annum.

The above loans are secured against first pari passu charge on property, plant and equipment of the Company.

	2010 Rupees	2009 Rupees
9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of the minimum lease payments	2,909,446	5,035,762
Current portion	(2,342,653)	(3,608,398)
	566,793	1,427,364

The present value of minimum lease payments has been discounted at an implicit interest rate ranging from 14.00% to 18.94% p.a. to arrive at their present value. The lessee has the option to purchase the asset after expiry of the lease term which it intends to exercise.

Taxes, repairs, replacements and insurance costs are to be born by the lessee.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Minimum Lease Payments	Finance Cost not yet due	2010 Present Value of Minimum Lease Payments	2009 Present Value of Minimum Lease Payments
	Rupees			
Not later than one year	2,454,800	112,147	2,342,653	3,608,398
Later than one year and not later than five years:				
2011	--	--	--	856,709
2012	486,868	25,353	461,515	464,973
2013	105,971	693	105,278	105,682
	592,839	26,046	566,793	1,427,364
	3,047,639	138,193	2,909,446	5,035,762

		Note	2010 Rupees	2009 Rupees
10	DEFERRED LIABILITIES			
	Staff retirement benefits - gratuity		33,853,029	30,460,991

The scheme provides for gratuity benefits for all of its permanent employees who attain the minimum qualifying period. Provision has been made on the basis of latest actuarial valuation made on June 30, 2010 using projected unit credit method.

	Note	2010 Rupees	2009 Rupees
Amount disclosed in balance sheet			
Present value of defined benefit obligation		34,284,972	29,851,063
Unrecognized gains / (losses)		(431,943)	609,928
		33,853,029	30,460,991
Movement in net liability			
Opening liability		30,460,991	25,464,637
Expense incurred		9,882,339	7,436,767
Benefits paid		(6,490,301)	(2,440,413)
Closing liability		33,853,029	30,460,991
Charge for the year			
Current service cost		6,300,211	4,361,994
Interest cost		3,582,128	3,074,773
		9,882,339	7,436,767
Charge for the year has been allocated as under:			
Cost of Sales	28.2	3,973,711	3,096,264
Administrative expenses	30.1	5,486,242	4,068,780
Distribution cost	29.1	422,386	271,723
		9,882,339	7,436,767

		2010 Rupees	2009 Rupees
11	TRADE AND OTHER PAYABLES		
	Creditors	91,543,240	62,442,619
	Accrued liabilities	8,122,623	8,443,234
	Advance from customers	9,674,772	4,803,270
	Unclaimed dividend	1,662,656	1,662,656
	Due to associated company	40,351,425	22,847,519
	Tax deducted at source	49,666	242,418
	Others	654,354	606,818
		152,058,736	101,048,534
12	ACCRUED MARKUP		
	Accrued mark-up / interest on long term financing	2,977,280	2,831,688
	Accrued mark-up / interest on short term borrowings	17,936,498	14,859,208
		20,913,778	17,690,896

13 SHORT TERM BORROWINGS

	Note	Sanctioned Limit-Rupees	2010 Rupees	2009 Rupees
Commercial banks- secured	13.1	505,000,000	469,689,627	461,263,236
Commercial banks- current account	13.2		12,127,516	14,140,902
Associated company- unsecured	13.3		22,600,000	22,600,000
Sponsor member- unsecured	13.4		25,000,000	--
			529,417,143	498,004,138

13.1 The facilities are secured against hypothecation of stock in trade, pari passu charge on current assets, second charge on property, plant and equipment of the Company and security of an associated company. Mark-up is payable at the rate ranging from 13.03% to 18.26% per annum and is payable on quarterly basis.

13.2 The unfavourable balance has arisen due to cheques issued prior to the year end. The bank has confirmed favourable balance in this regard at the year end.

13.3 The markup is charged at the same rates which are charged by the banks to the associated company ranging from 15.54% to 15.85% per annum.

13.4 The markup is charged at the same rates which are charged by the bank to the sponsor ranging from 13.10% to 13.61% per annum.

14 CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2010 Rupees	2009 Rupees
Long term financing from commercial banks	8	31,792,208	8,750,000
Liabilities against assets subject to finance lease	9	2,342,653	3,608,398
		34,134,861	12,358,398

15 CONTINGENCIES AND COMMITMENTS

15.1 The Company has not accounted for excise duty on long term financing charged by PICIC amounting to Rs. 6,471,581 (2009: Rs.6,471,581). However, out of this amount the Company has paid Rs. 1,941,474 as advance central excise duty (Note 25). The Company has filed an appeal in the Supreme Court of Pakistan against the decision of the Lahore High Court. The Company is of the view that such liability is not payable by the Company. The final outcome of the matter is pending.

15.2 Company's appeal against the orders of Deputy Collector of sales tax (refund) rejecting the sales tax refund claim for July 2005 to the extent of Rs. 8,344,738 on account of consumption of material involving input tax in local sales, dismissed by Collector of Sales Tax (Appeals). The Company has filed an appeal in the Appellate Tribunal Inland Revenue, Lahore against the orders passed by Collector of Sales Tax (Appeals). Final outcome of the appeal is pending. The Company is hopeful for a favourable decision of the case.

15.3 Commitments against irrevocable letter of credit for import of raw materials as at June 30, 2010 amounted to Rs. 6.992 million (2009: Nil).

16 PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	Cost or assessed value as on July 01, 2009	Cost of Additions/ (Deletions)	Surplus on revaluation	Gross book value as on June 30, 2010	DEPRECIATION					Net book value as on June 30, 2010
					Rate %	As on July 01, 2009	Revaluation Adjustments	For the year/ (adjustment on disposals)	As on June 30, 2010	
Land - freehold	233,800,000	--	--	233,800,000	-	--	--	--	--	233,800,000
Building on freehold land	124,615,424	467,316	--	125,082,740	3.8-10	--	--	4,812,106	4,812,106	120,270,634
Plant and machinery	671,266,582	3,977,146	--	675,243,728	4.8- 10	--	--	43,562,791	43,562,791	631,680,937
Furniture and fittings	3,119,458	22,650 (35,603)	--	3,106,505	10	1,961,696	--	115,820 (24,429)	2,053,087	1,053,418
Vehicles	8,575,697	65,729 (718,373)	-- --	7,923,053	20	6,195,786		475,836 (491,024)	6,180,598	1,742,455
Electrical appliances	1,611,405	158,468	--	1,769,873	10	719,229	--	93,067	812,296	957,577
Office equipment	7,187,513	151,848 (68,520)	--	7,270,841	10	4,056,255	--	318,624 (39,531)	4,335,348	2,935,493
2010 Rupees	1,050,176,079	4,843,157 (822,496)	--	1,054,196,740		12,932,966	--	49,378,244 (554,984)	61,756,226	992,440,514

DESCRIPTION	Cost or assessed value as on July 01, 2008	Cost of Additions/ (Deletions)	Surplus on revaluation	Gross book value as on June 30, 2009	DEPRECIATION					Net book value as on June 30, 2009
					Rate %	As on July 01, 2008	Revaluation Adjustments	For the year/ (adjustment on disposals)	As on June 30, 2009	
Land - freehold	200,000,000	--	33,800,000	233,800,000	-	--	--	--	--	233,800,000
Building on freehold land	120,865,152	--	3,750,272	124,615,424	10	59,915,442	(66,010,413)	6,094,971	--	124,615,424
Plant and machinery	750,793,117	2,941,626	(82,468,161)	671,266,582	10	390,688,908	(426,800,457)	36,111,549	--	671,266,582
Furniture and fittings	3,090,658	28,800	--	3,119,458	10	1,835,106	--	126,590	1,961,696	1,157,762
Vehicles	9,628,869	-- (1,053,172)	-- --	8,575,697	20	6,466,244		626,663 (897,121)	6,195,786	2,379,911
Electrical appliances	1,428,431	182,974	--	1,611,405	10	636,427	--	82,802	719,229	892,176
Office equipment	7,029,173	158,340	--	7,187,513	10	3,719,743	--	336,512	4,056,255	3,131,258
2009 Rupees	1,092,835,400	3,311,740 (1,053,172)	(44,917,889)	1,050,176,079		463,261,870	(492,810,870)	43,379,087 (897,121)	12,932,966	1,037,243,113

	Note	2010 Rupees	2009 Rupees
16.1 Depreciation for the year has been allocated as under :			
Cost of sales	28	48,374,897	42,206,520
Administrative expenses	30	1,003,347	1,172,567
		49,378,244	43,379,087

16.2 Disposal of property, plant and equipment

The following is the detail of disposals during the year:

Particulars	Cost	Book Value	Sale Proceeds	Gain/(loss) on disposal	Mode of Disposal	Name and Address
Suzuki Cultus (LZL -1063)	662,433	200,900	200,900	--	Ex-employee	Mr. Maroof Baray, 38/2, Sector Y, Phase -III, DHA, Lahore.
Honda CD 70 Motor Cycle (LWF-1083)	55,940	26,449	33,000	6,551	Claim	EFU General Insuarance Company Co-operative Insurance Building, 23 The Mall, Lahore.
National Window AC	13,000	6,391	3,000	(3,391)	Negotiation	Kamal Rashid, H#26,St.#220, Ali Park, Ichra, Lahore.
Sabro Split AC	22,603	4,783	6,200	1,417	Negotiation	Kamal Rashid, H#26,St.#220, Ali Park, Ichra, Lahore.
HP 4050 Laser-jet Printer	11,500	7,033	1,800	(5,233)	Negotiation	Computer International, Suit# 32, Ist Floor, Hafeez Centre, Lahore.
Nokia 3230 Mobile Phone	5,000	3,416	500	(2,916)	Negotiation	A.S. Traders, 104 Zaitoon Palaza, Hall Road, Lahore.
Telephone Exchange	52,020	18,540	5,000	(13,540)	Negotiation	D.C Technology, Suit # 820, 8th Floor, Land Mark Palaza, Jail Road, Lahore.
2010 Rupees	822,496	267,512	250,400	(17,112)		
2009 Rupees	1,053,172	156,053	560,000	403,947		

16.3 Free - hold land, buildings on free - hold land and plant and machinery were most recently revalued on June 30, 2009 by an independent valuer, Arch-e-decon (Evaluators, Surveyors, Architects and Engineers), resulting in surplus of Rs. 447.892 million and incorporated in the financial statements for the year ended June 30, 2009. Previously revaluation was carried out on free - hold land in 2006, resulting in surplus of Rs. 192.446 million. The basis used for revaluation of property, plant and equipment are as follows:

Free - hold land	The value of free - hold land ascertained according to the local market value.
Buildings on free - hold land	Present day construction rates for different types of building structure depreciated to account for the age and condition of the building.
Plant and machinery	The value has been determined with reference to prevailing prices of similar plants and machinery depreciated to account for the age, usage and physical condition.

16.4 Free - hold land, buildings on free - hold land and plant and machinery represent values subsequent to revaluation as at June 30, 2006 and June 30, 2009. Had there been no revaluation, the carrying amount of the revalued assets would have been as follows:

	2010 Rupees	2009 Rupees
Free - hold land	7,553,867	7,553,867
Buildings on free - hold land	53,193,053	54,854,739
Plant and machinery	310,807,501	326,934,286
	371,554,421	389,342,892

17 ASSETS SUBJECT TO FINANCE LEASE

DESCRIPTION	COST				DEPRECIATION					Written down value as on June 30, 2010
	As on July 01, 2009	Additions	Deletions	As on June 30, 2010	Rate %	As on July 01, 2009	Adjustment	For the year	As on June 30, 2010	
Plant and machinery	3,138,797	--	--	3,138,797	10	660,454	--	247,834	908,288	2,230,509
Vehicles	6,287,000	--	--	6,287,000	20	2,551,579	--	747,084	3,298,663	2,988,337
2010 Rupees	9,425,797	--	--	9,425,797		3,212,033	--	994,918	4,206,951	5,218,846

DESCRIPTION	COST				DEPRECIATION					Written down value as on June 30, 2009
	As on July 01, 2008	Additions	Deletions	As on June 30, 2009	Rate %	As on July 01, 2008	Adjustment	For the year	As on June 30, 2009	
Plant and machinery	3,138,797	--	--	3,138,797	10	385,083	--	275,371	660,454	2,478,343
Vehicles	6,191,000	704,000	608,000	6,287,000	20	1,833,563	(176,034)	894,050	2,551,579	3,735,421
2009 Rupees	9,329,797	704,000	608,000	9,425,797		2,218,646	(176,034)	1,169,421	3,212,033	6,213,764

	Note	2010 Rupees	2009 Rupees
17.1 Depreciation for the year has been allocated as under :			
Cost of sales	28	247,834	275,371
Administrative expenses	30	747,084	894,050
		994,918	1,169,421
18 LONG TERM LOANS AND ADVANCES			
Advances - considered good	18.1	148,000	273,800
18.1 Advance to:			
Executives		334,000	334,000
Employees		27,200	169,732
		361,200	503,732
Current portion:			
Executives		(186,000)	(120,000)
Employees		(27,200)	(109,932)
		(213,200)	(229,932)
		148,000	273,800

18.2 Loans, partially interest bearing, to employees are for house building, carrying interest @ 8% p.a. receivable in one to four years. The loans are secured against retirement benefits.

19 LONG TERM DEPOSITS AND PREPAYMENTS

	2010	2009
Security deposits	3,460,784	3,360,784
Less: Current portion	(1,606,900)	(1,487,500)
	1,853,884	1,873,284

		Note	2010 Rupees	2009 Rupees
20	STORES, SPARE PARTS AND LOOSE TOOLS			
	Stores		11,269,985	10,356,042
	Spare parts		13,108,389	10,744,398
	Packing materials		1,033,082	526,639
	Loose tools		2,494,059	2,378,584
			27,905,515	24,005,663
21	STOCK IN TRADE			
	Raw materials		59,626,724	40,748,532
	Work in process		45,563,327	35,098,918
	Finished goods		123,614,881	136,739,681
	Scrap / waste		68,068	64,655
			228,873,000	212,651,786
22	TRADE DEBTS - Considered good			
	Export - Secured against letters of credit		8,066,922	17,672,575
	Local - Secured against letters of credit		14,652,716	34,812,565
	- unsecured		37,492,562	69,944,284
			52,145,278	104,756,849
			60,212,200	122,429,424
23	LOANS AND ADVANCES			
	Advances - unsecured, considered good:			
	to executives	23.1	189,152	1,120,454
	to employees		138,964	156,537
	to suppliers		6,243,817	3,907,863
			6,571,933	5,184,854
	Letters of credit		3,353,936	--
			9,925,869	5,184,854

23.1 The maximum aggregate amount due from the associated companies and executives at the end of any month was Rs. 26,288 (2009: Rs. 41,683) and Rs. 1,644,070 (2009: Rs.1,206,086) respectively.

		Note	2010 Rupees	2009 Rupees
24	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
	Security deposits		1,606,900	1,487,500
	Prepayments		1,079,447	938,321
	Export rebate receivable		447,868	1,236,210
			3,134,215	3,662,031
25	OTHER RECEIVABLES			
	Sales tax refundable		41,443,237	30,502,999
	Advance central excise duty		1,941,474	1,941,474
	Others		138,158	--
			43,522,869	32,444,473
26	CASH AND BANK BALANCES			
	Cash in hand		179,555	626,995
	Cash at banks:			
	Current accounts		5,784,668	5,203,702
	Saving accounts		148,774	83,047
			5,933,442	5,286,749
			6,112,997	5,913,744
27	SALES			
	Cloth - Export - invoiced value		479,273,788	418,796,439
	- Exchange gain		2,193,860	2,796,641
			481,467,648	421,593,080
	- Local		1,057,408,818	924,136,190
			1,538,876,466	1,345,729,270
	Waste		2,464,153	2,385,420
	Export rebate		246,401	368,453
			1,541,587,020	1,348,483,143
	Commission and claim		(19,055,999)	(16,621,444)
			1,522,531,021	1,331,861,699

27.1 Sales are exclusive of sales tax amounting to Rs. 112,156 (2009: Rs. 165,460).

		Note	2010 Rupees	2009 Rupees
28	COST OF SALES			
	Raw materials consumed	28.1	1,156,194,241	949,366,963
	Salaries, wages and other benefits	28.2	73,058,470	69,652,854
	Fuel and power		146,334,009	127,149,493
	Stores consumed		72,976,310	64,727,903
	Processing charges		1,195,458	1,333,128
	Insurance		2,786,325	2,515,889
	Repairs and maintenance		2,887,431	2,819,579
	Depreciation on property, plant and equipment	16.1	48,374,897	42,206,520
	Depreciation on leased assets	17.1	247,834	275,371
	Others		425,532	--
			1,504,480,507	1,260,047,700
	Adjustment of work-in-process			
	Opening stock		35,098,918	32,632,108
	Closing stock		(45,563,327)	(35,098,918)
			(10,464,409)	(2,466,810)
	Adjustment of finished goods and waste			
	Opening stock		136,804,336	121,065,497
	Cloth purchased		4,002,727	1,066,068
	Closing stock		(123,682,949)	(136,804,336)
			17,124,114	(14,672,771)
			1,511,140,212	1,242,908,119

28.1 Raw materials consumed

	2010 Rupees	2009 Rupees
Opening stock	40,748,532	26,174,929
Purchases	1,168,363,714	960,010,098
Freight and octroi	6,708,719	5,673,087
	1,175,072,433	965,683,185
Claims	--	(1,742,619)
Closing stock	(59,626,724)	(40,748,532)
	1,156,194,241	949,366,963

28.2 Salaries, wages and other benefits include retirement benefits amounting to Rs. 3,973,711 (2009: Rs. 3,096,264).

		Note	2010 Rupees	2009 Rupees
29	DISTRIBUTION COST			
	Salaries and other benefits	29.1	2,764,287	2,274,862
	Vehicles running and maintenance		380,648	387,633
	Communication		431,246	495,752
	Freight, shipment and others		15,699,053	16,655,732
	Other expenses		828,387	643,653
			20,103,621	20,457,632

29.1 Salaries and other benefits include retirement benefits amounting to Rs. 422,386 (2009: Rs. 271.723).

		Note	2010 Rupees	2009 Rupees
30	ADMINISTRATIVE EXPENSES			
	Salaries and other benefits	30.1	11,566,864	10,605,016
	Traveling and conveyance		2,393,400	2,411,787
	Rent, rates and taxes		1,909,798	1,377,274
	Printing and stationery		880,155	791,878
	Communication		1,266,560	1,449,312
	Vehicles running and maintenance		1,716,565	1,551,143
	Entertainment		814,972	760,845
	Repair and maintenance		605,517	453,996
	Utility expenses		242,045	183,770
	Legal and professional		439,828	509,120
	Subscription		197,174	188,160
	Insurance		839,675	824,792
	Advertisement		37,800	72,051
	Depreciation on property, plant and equipment	16.1	1,003,347	1,172,567
	Depreciation on leased assets	17.1	747,084	894,050
			24,660,784	23,245,761

30.1 Salaries and other benefits include retirement benefits amounting to Rs. 5,486,242 (2009: Rs. 4,068,780).

		Note	2010 Rupees	2009 Rupees
31	OTHER OPERATING EXPENSES			
	Auditors' remuneration	31.1	681,600	674,250
	Donations	31.2	--	50,000
	Others		37,370	49,863
			718,970	774,113
	31.1 Auditors' remuneration			
	Audit fee		500,000	375,000
	Half yearly review		50,000	50,000
	Code of Corporate Governance		25,000	25,000
	Tax representation and consultancy fee		88,000	196,000
	Out of pocket expenses		18,600	28,250
			681,600	674,250

31.2 None of the directors or their spouse had any interest in the donee's fund.

	Note	2010 Rupees	2009 Rupees
32 FINANCE COST			
Interest on long term financing		11,454,516	11,477,856
Interest on financing from associated company		28,059,662	29,616,592
Interest on short term borrowings		67,996,313	70,013,625
Interest on liabilities against assets subject to finance lease		376,823	646,383
Bank charges		3,012,179	2,965,703
		110,899,493	114,720,159
33 OTHER OPERATING INCOME			
Income on financial assets			
Interest on saving accounts and advances to employees		9,278	25,525
Income on assets other than financial assets			
(Loss)/Gain on disposal of property, plant and equipment	16.2	(17,112)	403,947
Profit on disposal of leased assets		--	67,135
Profit/(Loss) on sale of raw materials and stores		690,659	(63,886)
Others		102,355	10,390
		785,180	443,111
34 TAXATION			
Current		10,081,102	4,215,931
Deferred tax on revaluation of assets		(9,149,688)	--
		931,414	4,215,931

34.1 Provision for income tax has been made in the accounts at the rate of 1.0% of export sales under final tax regime plus 0.50% of local sales under minimum tax regime u/s 154 and u/s 113 of the Income Tax Ordinance, 2001 respectively. For assessment years 2001-2002 and 2002-2003 appeals are pending before Income Tax Appellate Tribunal. The Company has not accounted for deferred taxation, except for revaluation surplus, because it is not probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

	%	%
34.2 Reconciliation of applicable and effective tax rate		
Tax rate applicable to Company	35.00	35.00
Effective tax rate	(0.65)	(6.04)

As the Company is under final tax and minimum tax regime (refer to note 34.1), the effective tax rate cannot be reconciled with the applicable rate.

	2010 Rupees	2009 Rupees

35 LOSS PER SHARE - BASIC AND DILUTED

Loss per share is calculated by dividing loss after tax for the period by weighted average number of shares outstanding during the period as follows:

	2010 Rupees	2009 Rupees
Loss attributable to ordinary shareholders	(145,138,293)	(74,016,905)
Weighted average number of ordinary shares	10,000,800	10,000,800
Loss per share - Basic and diluted	(14.51)	(7.40)

35.1 No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

36 FINANCIAL ASSETS AND LIABILITIES

	Mark-up Bearing			Non Mark-up Bearing			
	Maturity up to One Year Rupees	Maturity after One Year Rupees	Sub Total Rupees	Maturity up to One Year Rupees	Maturity after One Year Rupees	Sub Total Rupees	Grand Total 2010 Rupees
Financial Assets							
Long term loans and advances	27,200	--	27,200	186,000	148,000	334,000	361,200
Trade debts	--	--	--	60,212,200	--	60,212,200	60,212,200
Other receivables	--	--	--	138,158	--	138,158	138,158
Cash and bank balances	148,774	--	148,774	5,964,223	--	5,964,223	6,112,997
	175,974	--	175,974	66,500,581	148,000	66,648,581	66,824,555
Financial Liabilities							
Long term financing from associated company	--	169,150,000	169,150,000	--	--	--	169,150,000
Long term financing from commercial banks	31,792,208	95,376,622	127,168,830	--	--	--	127,168,830
Liabilities against assets subject to finance lease	2,342,653	566,793	2,909,446	--	--	--	2,909,446
Trade and other payables	--	--	--	142,334,298	--	142,334,298	142,334,298
Accrued markup	--	--	--	20,913,778	--	20,913,778	20,913,778
Short term borrowings	529,417,143	--	529,417,143	--	--	--	529,417,143
	563,552,004	265,093,415	828,645,419	163,248,076	--	163,248,076	991,893,495
On balance sheet gap 2010	(563,376,030)	(265,093,415)	(828,469,445)	(96,747,495)	148,000	(96,599,495)	(925,068,940)

	Mark-up Bearing			Non Mark-up Bearing			
	Maturity up to One Year Rupees	Maturity after One Year Rupees	Sub Total Rupees	Maturity up to One Year Rupees	Maturity after One Year Rupees	Sub Total Rupees	Grand Total 2009 Rupees
Financial Assets							
Long term loans and advances	109,932	--	109,932	120,000	273,800	393,800	503,732
Trade debts	--	--	--	122,429,424	--	122,429,424	122,429,424
Other receivables	--	--	--	--	--	--	--
Cash and bank balances	83,047	--	83,047	5,830,697	--	5,830,697	5,913,744
	192,979	--	192,979	128,380,121	273,800	128,653,921	128,846,900
Financial Liabilities							
Long term financing from associated company	--	169,150,000	169,150,000	--	--	--	169,150,000
Long term financing from commercial banks	8,750,000	127,168,830	135,918,830	--	--	--	135,918,830
Liabilities against assets subject to finance lease	3,608,398	1,427,364	5,035,762	--	--	--	5,035,762
Trade and other payables	--	--	--	96,002,846	--	96,002,846	96,002,846
Accrued markup	--	--	--	17,690,896	--	17,690,896	17,690,896
Short term borrowings	498,004,138	--	498,004,138	--	--	--	498,004,138
	510,362,536	297,746,194	808,108,730	113,693,742	--	113,693,742	921,802,472
On balance sheet gap 2009	(510,169,557)	(297,746,194)	(807,915,751)	14,686,379	273,800	14,960,179	(792,955,572)

EFFECTIVE INTEREST RATES

Financial liabilities

Long term financing from associated company	13.28% to 15.85%	per annum
Long term financing from commercial banks	6.00% to 14.76%	per annum
Liabilities against leased assets	14.00% to 18.94%	per annum
Short term borrowings	13.03% to 18.26%	per annum

Financial assets

Long term advances and security deposits	8%	per annum
Advances, deposits, prepayments and other receivables	8%	per annum
Cash with banks on saving accounts	3% to 5%	per annum

The Company has exposures to the following risks from its use of financial instruments:
Credit risk
Liquidity risk
Market risk

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

Credit risk and concentration of credit risk

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

Credit risk arises principally from loans and advances, trade debts, deposits, other receivables and bank balances. Out of total financial assets of Rs. 66.824 million (2009: Rs. 128.846 million), the financial assets that are subject to credit risk amounted to Rs. 66.463 million (2009: Rs.128.343 million).

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

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

The carrying amount of the financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	2010 Rupees	2009 Rupees
Trade debts	60,212,200	122,429,424
Other receivables	138,158	--
Bank balances	6,112,997	5,913,744
	66,463,355	128,343,168

The breakup of amount due from customers other than related parties as stated in note 22 is presented below.

	2010 Rupees	2009 Rupees
Due from foreign customers	8,066,922	17,672,575
Due from local customers	52,145,278	104,756,849
	60,212,200	122,429,424

Based upon past experience, no provision for doubtful debts has been made during the year for local and foreign customers.

The ageing of trade debts at the reporting date was:

	2010 Rupees	2009 Rupees
Past due 1-30 days	45,814,578	55,393,402
Past due 31-150 days	9,874,825	55,478,338
Past due over 150 days	4,522,797	11,557,684
	60,212,200	122,429,424

The Company's most significant amount receivable is from a customer which amounts to Rs. 11,988,442 (2009: Rs. 16,021,193) that has a good track record with the Company.

Most of the trade debts are secured against letters of credit. The Company has placed funds with financial institutions with high credit rating. The Company assesses the credit quality of counterparties as satisfactory. Loans to employees are secured against retirement benefits.

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 to always have sufficient liquidity to meet its liabilities when 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 obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's value of its financial instruments. The Company is exposed to currency risk and interest rate risk.

Currency risk

The Company is exposed to currency risk on trade debts denominated in US Dollars. The Company's exposure to foreign currency risk for US Dollars is as follows:

	2010 USD	2009 USD	2010 Rupees	2009 Rupees
Foreign debtors	95,038	202,439	8,066,922	17,672,575

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2010	2009	2010	2009
US Dollar	83.43	78.89	85.28	81.25

A 10% strengthening of the functional currency against USD at 30 June would have increased loss for the year by Rs. 806,692 (2009: Rs. 1,767,258). A 10% weakening of the functional currency against USD at 30 June would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks and associated company. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Effective rate in percentage		Carrying amount in Rupees	
Financial liabilities	2010	2009	2010	2009
Variable rate instruments				
Long term financing from associated company	13.28 - 15.85	12.39 - 18.52	169,150,000	169,150,000
Long term financing from commercial banks	6.00 - 14.76	6.00 - 13.75	127,168,830	135,918,830
Short term borrowings	13.03 -18.26	12.14 -18.52	529,417,143	498,004,138

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss 100 basis points	
	Increase	Decrease
As at 30 June 2010		
Cash flow sensitivity-Variable rate financial liabilities	8,257,360	(8,257,360)
As at 30 June 2009		
Cash flow sensitivity-Variable rate financial liabilities	8,030,730	(8,030,730)

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

Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Capital risk management

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

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

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

The salient information relating to capital risk management of the Company at year end were as follows:

	Note	2010 Rupees	2009 Rupees
Total borrowings		825,735,973	803,072,968
Less: Cash and cash equivalents		6,112,997	5,913,744
Net debt		819,622,976	797,159,224
Total equity		(308,019,287)	(179,873,271)
Total capital		511,603,689	617,285,953

37 RELATED PARTY TRANSACTIONS

The related parties comprise of associated companies, directors and their close family members, executives and major shareholders of the Company. Remuneration and benefitsto executives of the Company are in accordance with the terms of their employment. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements were as follows;

Short term borrowing obtained from ICC (Private) Limited - interest bearing		--	21,300,000
Short term borrowing obtained from a sponsor member		25,000,000	--
Interest on loan debited by ICC (Private) Limited	37.1	28,059,662	29,616,592
Interest on loan obtained from sponsor memeber		1,639,366	--
Reimbursable expenses incurred on behalf of ICC (Private) Limited		8,729,956	8,774,590
Shareable expenses debited to ICC (Private) Limited		1,853,235	1,455,317
Reimbursable expenses incurred on behalf of Imperial Soft (Private) Limited		51,454	41,683
Reimbursable expenses incurred by ICC (Private) Limited		27,436	12,264

37.1 Interest on long term financing and short term borrowing is charged at the same rates which are charged by the banks to the associated company/sponsor member.

37.2 The companies are associated due to common directorship.

37.3 Transactions with related parties are carried out at arm’s length price determined in accordance with comparable uncontrolled price method.

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Description	2010			2009		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	--	--	2,304,320	--	--	1,694,004
House rent allowance	--	--	747,129	--	--	503,004
Other allowances	--	--	405,019	--	--	343,992
Medical expenses	--	--	52,037	--	--	60,718
Utilities	--	--	--	--	--	--
Rupees	--	--	3,508,505	--	--	2,601,718
No. of persons	1	2	3	1	2	2

38.1 The directors of the Company have opted not to draw any remuneration from the Company voluntarily.

38.2 Some executives are provided with free use of Company cars as per rules.

38.3 No meeting fee was paid to the directors for attending the meetings of the board.

	2010	2009
39 NUMBER OF EMPLOYEES		
Number of employees at the end of the period	613	600
40 CAPACITY INSTALLED AND ACTUAL PRODUCTION		
No. of looms installed	172	172
No. of looms worked	172	172
Shifts per day	3	3
No. of days actually worked	364	364
Rated capacity (Square Meters in millions)	39.6	39.6
Actual production (Square Meters in millions)	32.5	34.6

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

41 ACCOUNTING ESTIMATES AND JUDGEMENTS

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Trade debts and other receivables

Impairment loss against doubtful trade and other debts is made on a judgement basis, which provisions may differ in the future years based on the actual experience. The difference in provision if any, is recognized in the future period.

Property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The estimates for revalued amounts of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendations of technical teams of the Company. The said recommendation also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimate in the future years might affect the carrying amounts of the respective item of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

Stock in trade and stores and spares

The Company's management reviews the net realizable value (NRV) and impairment of stock in trade and stores and spares to access any diminution in the respecting carrying values and wherever required provision for NRV / impairment is made. The difference in provision, if any, is recognised in the future period.

42 DATE OF AUTHORIZATION FOR ISSUE

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

43 FIGURES

- Figures have been rounded off to the nearest rupee.
- Corresponding figures have been re-arranged where ever considered necessary for the purpose of better presentation.

LAHORE:	Sd/-	Sd/-
October 08, 2010	Director	Chief Executive

FORM – 34

PATTERN OF HOLDING OF THE SHARES
HELD BY THE SHARE HOLDERS AS ON JUNE 30, 2010

No. of Shareholders	Shareholding From	To	Total Shares Held
132	1	100	11,897
1,077	101	500	504,192
113	501	1,000	110,104
157	1,001	5,000	449,557
47	5,001	10,000	375,149
18	10,001	15,000	223,308
8	15,001	20,000	143,232
9	20,001	25,000	205,597
5	25,001	30,000	138,000
1	30,001	35,000	34,000
5	35,001	40,000	184,484
4	45,001	50,000	194,464
1	55,001	60,000	56,500
1	65,001	70,000	70,000
1	70,001	75,000	75,000
3	75,001	80,000	238,350
1	90,001	95,000	93,775
5	95,001	100,000	491,060
1	120,001	125,000	125,000
1	135,001	140,000	139,900
1	155,001	160,000	158,900
1	160,001	165,000	164,870
3	165,001	170,000	508,350
2	175,001	180,000	355,500
1	180,001	185,000	181,500
1	230,001	235,000	235,000
2	235,001	240,000	473,000
1	240,001	245,000	243,775
1	270,001	275,000	275,000
1	310,001	315,000	311,000
1	350,001	355,000	352,236
1	2,875,001	2,880,000	2878,100
1,606			10,000,800

DETAIL OF SHAREHOLDING
AS ON JUNE 30, 2010

Categories of shareholders		Shares held	Percentage
1. Directors, Chief Executive Officer, and their spouse and minor children			
Mr. Shafiq A. Siddiqi		80,000	0.80
Mr. Javaid Shafiq Siddiqi		169,450	1.69
Mr. Usman Haq		70,000	0.70
Mr. Tahir Rehman (CDC)		93,775	0.94
Mr. Pervaiz Shafiq Siddiqi		169,450	1.69
Mr. Tariq Rehman (CDC)		243,775	2.44
Mr. Haris Noorani		95,850	0.96
Mr. Suhail Mannan		352,236	3.52
Mrs. Saeeda Shafiq W/o Shafiq A. Siddiqi		36,700	0.37
Mrs. Ambereen Haq W/o Usman Haq		176,200	1.76
Mrs. Anjum T. Rehman W/o Tahir Rehman (CDC)		275,000	2.75
Mrs. Shahima Rehman W/o Tariq Rehman (CDC)		125,000	1.25
Mrs. Aysha Noorani W/o Haris Noorani (CDC)		75,000	0.75
	Total:	1,962,436	19.62
2. Associated Companies, undertakings and related parties			
M/s ICC (Pvt.) Limited		2,878,100	28.78
3. NIT and ICP			
Investment Corporation of Pakistan		1,400	0.01
National Bank of Pakistan (CDC)		264,580	2.65
National Investment Trust Ltd. (CDC)		4,246	0.04
	Total:	270,226	2.70
4. Banks, Development Financial Institutions and Non Banking Financial Institutions		40,279	0.40
5. Insurance Companies		158,900	1.59
6. Modarabas and Mutual Funds		-	-
7. General Public			
a Local		4,563,939	45.64
b Foreign		-	-
8. Others (to be specified)			
Joint Stock Companies		126,920	1.27
Charitable Trusts		-	0.00
Executives		-	0.00
	Grand Total:	10,000,800	100.00
9. Share holders holding 10%			
M/s ICC (Pvt.) Limited-Associated Company		2,878,100	28.78

FORM OF PROXY

The Company Secretary
ICC Textiles Ltd.
242-A, Anand Road,
Upper Mall, Lahore

I/We --

of -- being a member of ICC TEXTILES LIMITED and holder of -- Ordinary shares as per Share
(Number of Shares)
Register Folio No. ----------- and CDC Participant I.D. NO. -------------- and Sub Account No. -----------

hereby appoint --

of --

or failing him --

of --

as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held at its Registered Office 242-A, Anand Road, Upper Mall, Lahore on Saturday, the October 30, 2010 at 11:00 a.m. and at every adjournment thereof.

Signed this -- Day of -- 2010.

WITNESSES:

1. Signature:

   Name: ----------------------------------

   Address: ------------------------------

   NIC or ----------------------------------

   Passport No. -------------------------

2. Signature:

   Name: ----------------------------------

   Address: ------------------------------

   NIC or ----------------------------------

   Passport No. -------------------------

Signature

AFFIX REVENUE STAMP RS. 5/-

Note: Proxies, in order to be effective must be received by the Company not less than 48 hours before the meeting. A proxy need not to be a member of the Company.

CDC shareholders and their Proxies are requested to attach an attested photocopy of their National Identity Card or Passport with the proxy form before submission to the Company.