Director's Report

Dear Shareholders,

It has been a wonderful year for us and we are pleased to present to you the 44th Annual Report and audited accounts of the company for the fiscal year ended June 2010.

As the economic conditions improved somewhat and our economy recorded a growth of 4.1%, all the fiscal numbers for the Company improved. We grew, so did many businesses, inspite of un-certainties that surrounded us. The company's sales turnover grew by 36%.

The summarized results for the year are:

(Rupees '000')

	2010	2009
Sales Revenue	11,253,047	8,262,982
Gross Profit	2,452,051	1,427,443
Profit before Tax	2,028,875	988,680
Provision for Tax	662,585	334,585
Profit after Tax	1,366,290	654,095
Earnings per Share Rs.	26.71	12.79

Dividend and Appropriations:

The Board of Directors has proposed final cash Dividend @ 60% and bonus shares @ 20% i.e. one share for every five shares held in addition to the interim cash dividend of 20% paid earlier. The Board has also recommended appropriation of Rs 1.110 billion, from un-appropriated profits to General Reserve.

ENGINEERING SEGMENT:

After a very difficult fiscal 2009, there was a marked improvement during the year under review in the automotive sales. The sale of cars improved by **51.6%**, of LCVs by **42.6%,** of two-wheelers by **49.5%** (PAMA members only), whilst the truck and bus sector increased by **11.9%.**

The segment sales increased to Rs. **6.304** billion (last year Rs. **3.927** billion) and the earning of the segment increased to **1.504** billion as compared to Rs. **694** million last year.

Whilst the growth looks substantial when compared with the past year, the sales volume is nowhere near the peak it had reached 3 years back in fiscal 2007. However we are hopeful and breathing easier.

Thermal:

During the year we added aluminum radiator to our portfolio of products and thus changed the name of the Aircon

THAL LIMITED
BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousands)	
ASSETS			
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	3	**486,705**	539,208
INVESTMENT PROPERTY	4	**1,056**	1,064
LONG-TERM INVESTMENTS	5	**3,480,829**	2,101,027
LONG-TERM LOANS AND DEPOSITS	6	**5,414**	4,192
LONG TERM PREPAYMENT	7	**-**	3,600
		3,974,004	2,649,091
CURRENT ASSETS			
Stores, spares and loose tools	8	**64,306**	64,814
Stock-in-trade	9	**2,140,654**	1,867,248
Trade debts	10	**875,623**	358,668
Loans, advances, deposits, prepayments and other receivables	11	**95,149**	109,709
Short-term investments	12	**712**	648
Accrued profit		**162**	2,595
Income tax refundable	13	**459,562**	261,000
Sales tax refundable		**11,164**	17,369
Cash and bank balances	14	**741,644**	521,588
		4,388,976	3,203,639
TOTAL ASSETS		**8,362,980**	5,852,730
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
100,000,000 (2009: 100,000,000) ordinary shares of Rs.5/- each		**500,000**	500,000
Issued, subscribed and paid-up capital	15	**255,777**	213,147
Reserves	16	**5,408,261**	4,174,440
		5,664,038	4,387,587
NON-CURRENT LIABILITIES			
LONG TERM FINANCE	17	**657,500**	247,500
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	18	**4,781**	7,826
DEFERRED TAXATION	19	**51,405**	65,859
CURRENT LIABILITIES			
Trade and other payables	20	**1,178,108**	596,845
Short-term borrowings	21	**376,291**	324,302
Current portion of long term finance	17	**90,000**	90,000
Current portion of liabilities against assets subject to finance lease	18	**8,098**	13,155
Accrued mark-up		**14,676**	13,911
Taxation – net		**288,683**	66,456
Sales tax payable		**29,400**	39,289
		1,985,256	1,143,958
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITIES AND LIABILITIES		**8,362,980**	5,852,730

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

SOHAIL P. AHMED
VICE CHAIRMAN AND CHIEF EXECUTIVE

ALI S. HABIB
DIRECTOR

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

	Note	2 0 1 0	2 0 0 9
		(Rupees in thousands)	
Turnover – net	23	**11,253,047**	8,262,982
Cost of sales	24	**8,800,996**	6,835,539
Gross profit		**2,452,051**	1,427,443
Distribution costs	25	**121,796**	99,649
Administrative expenses	26	**257,950**	201,640
		379,746	301,289
Other operating income	27	**201,872**	120,313
Profit on trading activities		**-**	18,226
Operating profit		**2,274,177**	1,264,693
Finance costs	28	**95,285**	191,185
Other charges	29	**150,017**	84,828
		245,302	276,013
Profit before taxation		**2,028,875**	988,680
Taxation	30	**662,585**	334,585
Profit after taxation		**1,366,290**	654,095
		Rupees	**Rupees (Restated)**
Basic and diluted earnings per share	31	**26.71**	12.79

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

SOHAIL P. AHMED
VICE CHAIRMAN AND CHIEF EXECUTIVE

ALI S. HABIB
DIRECTOR

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

	2010	2009
	(Rupees in thousands)	
Profit after taxation	**1,366,290**	654,095
Other comprehensive income		
Gain / (loss) on revaluation of available-for-sale investments	**3,946**	(8,972)
Gain realized on cash flow hedge – net of tax	**-**	(696)
Other comprehensive income / (loss) for the year – net of tax	**3,946**	(9,668)
Total comprehensive income for the year	**1,370,236**	644,427

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

SOHAIL P. AHMED
VICE CHAIRMAN AND CHIEF EXECUTIVE

ALI S. HABIB
DIRECTOR

THAL LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	**1,918,294**	1,761,612
Finance costs paid		**(94,520)**	(191,693)
Dividends paid		**(92,149)**	(68)
Retirement benefits paid		**(1,907)**	(5,703)
Income tax paid		**(474,587)**	(215,786)
Payment to subsidiary against tax losses		**(198,562)**	(261,000)
Net cash generated from operating activities		**1,056,569**	1,087,362
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(52,958)**	(136,218)
Long term loans and deposits		**2,378**	4,455
Dividends received		**86,779**	36,739
Profit received		**43,008**	6,603
Proceeds from disposal of property, plant and equipment		**13,632**	12,785
Investment in a subsidiary		**(1,375,856)**	(91,986)
Purchase of short term investments		**(64)**	(61)
Net cash used in investing activities		**(1,283,081)**	(167,683)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance - obtained / (repaid)		**410,000**	(112,500)
Export refinance obtained		**73,100**	33,461
Repayment of liabilities against assets subject to finance lease		**(15,421)**	(26,758)
Net cash generated from / (used) in financing activities		**467,679**	(105,797)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**241,167**	813,882
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**355,286**	(458,596)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	33	**596,453**	355,286

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

SOHAIL P. AHMED
VICE CHAIRMAN AND CHIEF EXECUTIVE

ALI S. HABIB
DIRECTOR

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

	Issued, subscribed and paid-up capital	RESERVES Capital reserve	Gain/(loss) on changes in fair value of available for sale investments	Revenue Reserves General reserve	Unappropriated profit	Hedging Reserves	Total reserves	Total equity
	(Rupees in thousands)							
Balance as at June 30, 2008	152,248	55,704	38,689	2,759,999	735,824	696	3,590,912	3,743,160
Profit for the year	-	-	-	-	654,095	-	654,095	654,095
Other comprehensive loss	-	-	(8,972)	-	-	(696)	(9,668)	(9,668)
Total comprehensive income	-	-	(8,972)	-	654,095	(696)	644,427	644,427
Issue of bonus shares in the ratio 4:10	60,899	-	-	-	(60,899)	-	(60,899)	-
Transfers to revenue reserve	-	-	-	670,000	(670,000)	-	-	-
Balance as at June 30, 2009	**213,147**	**55,704**	**29,717**	**3,429,999**	**659,020**	**-**	**4,174,440**	**4,387,587**
Profit for the year	-	-	-	-	1,366,290	-	1,366,290	1,366,290
Other comprehensive income	-	-	3,946	-	-	-	3,946	3,946
Total comprehensive income	-	-	3,946	-	1,366,290	-	1,370,236	1,370,236
Issue of bonus shares in the ratio 2:10	42,630	-	-	-	(42,630)	-	(42,630)	-
Final dividend @ Re. 1/= per share	-	-	-	-	(42,630)	-	(42,630)	(42,630)
Interim dividend @ Re. 1/= per share	-	-	-	-	(51,155)	-	(51,155)	(51,155)
Transfer to revenue reserve	-	-	-	573,000	(573,000)	-	-	-
Balance as at June 30, 2010	**255,777**	**55,704**	**33,663**	**4,002,999**	**1,315,895**	**-**	**5,408,261**	**5,664,038**

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

SOHAIL P. AHMED
VICE CHAIRMAN AND CHIEF EXECUTIVE

ALI S. HABIB
DIRECTOR

1. THE COMPANY AND ITS OPERATIONS

1.1 Thal Limited (the Company) was incorporated on January 31, 1966 as a public company limited by shares under the Companies Act, 1913 (now the Companies Ordinance, 1984) and is listed on the Karachi and Lahore Stock Exchanges.

The Company is engaged in the manufacture of jute goods, engineering goods, papersack and laminate sheets. The jute operations is at Muzaffargarh, engineering operations at Karachi, papersack operations at Hub and Gadoon and laminate operations located at Hub. The registered office of the Company is situated at 4^{th} Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharea Faisal, Karachi.

1.2 These financial statements are separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest and are not consolidated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for available for sale financial assets which are shown at fair value as required under IAS – 39 "Financial Instruments; Recognition and Measurement".

2.3 Changes in accounting policies and disclosures:

During the current year, the Company has adopted the following new and amended IFRSs as of July 01, 2009, which has resulted in change in accounting policies and extended disclosures as described below:

IAS1- "Presentation of Financial Statements"

During the year, the Company has adopted (revised) IAS-1 "Presentation of Financial Statements" which became effective from accounting period beginning on or after January 01, 2009. The standard introduces the statement of comprehensive income which presents all items on income and expenses either in one single statement or two linked statements. Accordingly, the Company has elected to present two statements; profit and loss account and statement of comprehensive income. As a result of the introduction of statement of comprehensive income, the statement of changes in equity will now include only details of transactions with owners and items of other comprehensive income will be presented as a single line item in the said statement.

IAS 23 "Borrowing Costs"

During the year, the Company has adopted the changes in respect of borrowing costs to comply with requirements of revised IAS-23 "Borrowing Costs", which became effective from accounting period beginning on or after January 01, 2009. In accordance with the revised policy, borrowing costs directly attributable to acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset. Previously, all borrowing costs were charged directly to the profit and loss account as incurred. The change in policy does not have any effect on these financial statements for the reason that during the year the Company has not incurred any borrowing costs directly attributable to the acquisition of, or construction of qualifying assets.

IFRS 7 "Financial Instruments: Disclosures" (Amendments)

IFRS-7 "Financial Instruments: Disclosures" (amendments) requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The fair value measurement disclosures are presented in note 37.6 to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are also presented in note 37.2 to the financial statements.

IFRS 8 "Operating Segments"

IFRS-8 "Operating Segments" requires disclosure of information about the Company's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Company. Adoption of this standard did not have any effect on the financial position or performance of the Company. The Company determine that the operating segments are the same as the business segments previously identified under IAS 14 "Segment Reporting".

In addition to above, other standards are also effective for the current period, but these are not relevant to the Company.

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

The following revised standards, interpretations and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretations or amendments:

Standards, interpretations or amendments		Effective date (accounting periods beginning on or after)
IFRS 2	Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IAS 24	Related Party Disclosures (Revised)	January 01, 2011
IAS 32	Financial Instruments: Presentation – Amendments related to Classification of Right Issues	February 01, 2010
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company expects that the adoption of the above revisions, interpretations and amendments of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the

IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

2.5 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgments' which are significant to the financial statements:

(a) determining the residual values and useful lives of property, plant and equipment (Note 2.6);
(b) impairment of assets (Note 2.7)
(c) impairment of inventories / adjustment of inventories to their Net realisable Value (Note 2.12);
(d) recognition of taxation and deferred tax (Note 2.15);
(e) warranty obligations (Note 2.20); and
(f) contingencies (Note 22).

2.6 Property, plant and equipment

(a) Owned

These are stated at cost less accumulated depreciation and impairment loss except for freehold land and capital work-in-progress which are stated at cost.

Depreciation is charged to the profit and loss account applying the reducing balance method except for computer equipment and jigs and fixtures which are depreciated on straight line method at the rates specified in note 3 to the financial statements. Depreciation on additions is charged from the month of addition and in case of deletion, up to the month of disposal.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains or losses on disposals of fixed assets, if any, are included in income currently.

Leasehold land is amortised in equal installments over the lease period.

(b) Leased

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease less financial charges allocated to future periods are shown as a liability.

These financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation is charged at the same rates as charged on the Company's owned assets.

2.7 Impairment

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

2.8 Investment property

Investment property is stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged on reducing balance method at the rate specified in note 4.

2.9 Investments

Subsidiaries and associates

Investment in shares of the Company's subsidiaries and associates is stated at cost. No adjustment is made for market value /break-up value as on the balance sheet date. Provision is made however, for permanent impairment in the value of investment.

Others

Held-to-maturity
Investments with fixed maturity where management has both the intent and ability to hold to maturity are classified as held-to-maturity.

Available-for-sale
Investments which the management intends to hold for an indefinite period, but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

All investments are initially recognised at cost, being the fair value of the consideration given including transaction cost associated with the investment. After initial recognition, investments classified as available-for-sale are remeasured at fair values and held-to-maturity investments are measured at amortised cost using effective interest rate method.

For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to review for impairment at each balance sheet date.

Gains or losses on revaluation of available-for-sale investments are recognised in equity until the investment is sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income. Gains or losses on held-to-maturity investments are recognised in income when the investments are derecognised or impaired.

2.10 Long term loans and deposits

These are stated at cost less impairment, if any.

2.11 Stores, spares and loose tools

Stores, spares and loose tools are stated at cost which is determined by the moving average cost method except for those in transit which are valued at actual cost. Provision is made annually for slow moving and obsolete items.

2.12 Stock-in-trade

Raw materials and trading stock, except for those in transit, are valued at lower of moving average cost and net realisable value.

Work-in-process is valued at material cost, labour cost, together with appropriate production overheads.

Finished goods are valued at lower of cost comprising material cost, labour cost, together with appropriate production overheads and net realisable value.

Stock in transit are valued at cost comprising invoice values plus other charges incurred thereon.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated cost of completion and the estimated cost that would necessarily be incurred for its sale.

2.13 Trade debts and other receivables

Trade debts originated by the Company are recognised and carried at original invoice amount less provision for impairment. Provision for impairment is based on the management's assessment of customers' outstandings and creditworthiness. Bad debts are written-off as and when identified.

Other receivables are carried at cost less provision for impairment.

2.14 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term investments with a maturity of three months or less from the date of acquisition net of short-term borrowings. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

2.15 Taxation

(a) Current

Provision for current taxation is based on taxability of certain income streams of the Company under Final Tax Regime at the applicable tax rates and remaining income streams are chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and rebates available, if any, or 0.5% of turnover whichever is higher.

(b) Deferred

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilized,

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized,

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax loss) that have been enacted or substantively enacted at the balance sheet date.

2.16 Trade and other payables

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

2.17 Staff retirement benefits

Defined Contribution plan

Provident fund

The Company operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the fund by the Company and the employees in accordance with the rules of the scheme. The Company has no further obligation once the contributions have been paid. The contributions made by the Company are recognised as employee benefit expense when they are due.

Retirement fund

The Company operates a funded scheme for retirement benefits for all employees on the basis of defined contribution on attaining the retirement age with a minimum qualifying period of ten years which is managed by a Trust.

2.18 Compensated absences

Accrual is made for employees compensated absences on the basis of accumulated leaves and the last drawn pay.

2.19 Provisions

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

2.20 Warranty obligations

The Company recognizes the estimated liability to repair or replace products under warranty at the balance sheet date.

2.21 Revenue recognition

- Sales are recorded on dispatch of goods to customers.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on Term Deposit Receipts are recognised on constant rate of return to maturity.
- Profit on bank deposits are recognised on accrual basis.
- Warranty and insurance claims are recognised when the claims in respect thereof are lodged.

2.22 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year end spot foreign exchange rates and in case of forward contracts at the committed rates. Non-monetary assets and liabilities are translated using exchange rate that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

2.23 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprised the financial assets. Financial liabilities are dercognised at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to the profit and loss account.

2.24 Research and development expenditure

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Other development expenditure is recognised as an expense as incurred.

2.25 Transactions with related parties

Transactions with related parties are based on the policy that all transactions between the Company and the related party are carried out at arm’s length. These prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984.

2.26 Off-setting of financial assets and liabilities

A financial asset and a financial liability are off-set and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.27 Dividends and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

2.28 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

	Note	2010	2009
		(Rupees in thousands)	
3. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	**484,788**	537,168
Capital work-in-progress	3.4	**1,917**	2,040
		486,705	539,208

3.1 Statement of operating fixed assets

	COST					DEPRECIATION				Written down value as at June 30, 2010
	As at July 1, 2009	Additions/ adjustments*	Disposals / adjustments*	As at June 30, 2010	Rate %	As at July 1, 2009	Depreciation/ adjustments * for the year	On disposals/ adjustments*	As at June 30, 2010	
	(Rupees in thousands)					(Rupees in thousands)				
Owned										
Land - Freehold	12,749	-	-	12,749	-	-	-	-	-	12,749
- Leasehold	14,742	-	-	14,742	3	1,539	235	-	1,774	12,968
Building on freehold land										
- Factory building	223,737	1,542	-	225,279	10	80,415	14,413	-	94,828	130,451
- Non factory building	23,350	100	-	23,450	5-10	9,916	1,346	-	11,262	12,188
Railway siding	792	-	-	792	5	689	5	-	694	98
Plant and machinery	654,431	28,421	12,363	686,985	10-30	424,381	51,495	11,320	474,065	212,920
		16,496 *					9,509			
Furniture and fittings	18,599	691	589	18,701	15-20	10,608	1,247	519	11,336	7,365
Vehicles	37,120	2,859	13,702	38,578	20	25,547	2,589	8,785	25,134	13,444
		12,301 *					5,783 *	-		
Office and mills equipment	31,169	6,147	2,715	33,877	10-30	16,791	2,859	2,409	16,903	16,974
		(724)	-				(338)	-		
Computer equipment	38,690	9,565	1,793	47,186	33	32,223	4,139	1,702	34,998	12,188
		724	-				338			
** Jigs and fixtures	121,899	3,756	-	125,655	33	82,142	19,694	-	101,836	23,819
	1,177,278	53,081	31,162	1,227,994		684,251	98,022	24,735	772,830	455,164
		28,797	-				15,292 *	-		
Leased										
Vehicles	45,155	7,319	392	39,781	20	12,866	6,863	205	13,741	26,040
			(12,301) *				-	(5,783) *		
Plant and machinery	22,496	-	(16,496) *	6,000	20	10,644	1,281	-	2,416	3,584
								(9,509) *		
	67,651	7,319	392	45,781		23,510	8,144	205	16,157	29,624
			(28,797) *					(15,292) *		
2010	**1,244,929**	**60,400**	**31,554**	**1,273,775**		**707,761**	**106,166**	**24,940**	**788,987**	**484,788**
		28,797	**(28,797)** *				**15,292**	**(15,292)** *		

The addition includes transfers from capital work in progress amounting to Rs. 6.363 million.

	COST					DEPRECIATION				Written down value as at June 30, 2009
	As at July 1, 2008	Additions/ adjustments*	Disposals / adjustments*	As at June 30, 2009	Rate %	As at July 1, 2008	Depreciation/ adjustments * for the year	On disposals/ adjustments*	As at June 30, 2009	
	(Rupees in thousands)					(Rupees in thousands)				
Owned										
Land - Freehold	16,289	-	3,540	12,749	-	-	-	-	-	12,749
- Leasehold	14,742	-	-	14,742	3	1,303	236	-	1,539	13,203
Building on freehold land										
- Factory building	207,856	15,881	-	223,737	10	66,112	14,303	-	80,415	143,322
- Non factory building	23,350	-	-	23,350	5-10	8,421	1,495	-	9,916	13,434
Railway siding	792	-	-	792	5	684	5	-	689	103
Plant and machinery	581,375	74,214	1,158	654,431	10-30	374,451	50,901	971	424,381	230,050
Furniture and fittings	16,445	2,498	344	18,599	15-20	9,515	1,366	273	10,608	7,991
Vehicles	36,211	1,029	12,192	37,120	20	25,097	3,092	- 8,442	25,547	11,573
		12,072*	-				5,800 *	-		
Office and mills equipment	27,635	4,083	549	31,169	10-30	14,610	2,511	330	16,791	14,378
Computer equipment	36,574	3,288	1,172	38,690	33	29,996	3,376	1,149	32,223	6,467
** Jigs and fixtures	75,513	46,386	-	121,899	33	64,886	17,256	-	82,142	39,757
	1,036,782	147,379	18,955	1,177,278		595,075	94,541	11,165	684,251	493,027
		12,072 *					5,800 *			
Leased										
Vehicles	49,419	11,996	4,188	45,155	20	12,761	6,921	1,016	12,866	32,289
			(12,072) *					(5,800) *		
Plant and machinery	22,496	-	-	22,496	20	7,681	2,963	-	10,644	11,852
	71,915	11,996	4,188	67,651		20,442	9,884	1,016	23,510	44,141
			(12,072) *					(5,800) *		
2009	**1,108,697**	**159,375**	**23,143**	**1,244,929**		**615,517**	**104,425**	**12,181**	**707,761**	**537,168**
		12,072	**(12,072)** *				**5,800**	**(5,800)** *		

**This includes moulds having book value of Rs. 15.166 million (2009: Rs. 23.836 million) in the possession of contractors.

The addition includes transfers from capital work in progress amounting to Rs. 27.454 million.

3.2 The depreciation charge for the year has been allocated as follows:

	Note	2010	2009
		(Rupees in thousands)	
Cost of sales	**24**	**98,299**	96,550
Distribution costs	**25**	**1,107**	1,674
Administrative expenses	**26**	**6,760**	6,201
		106,166	104,425

3.3 The following property, plant and equipment were disposed off during the year:

Particulars		Original cost	Accumulated depreciation	Written down value	Sales proceeds	Gain/ (loss) Note 27.	Mode of disposal	Particulars of buyers
		---------------------- Rupees in thousands ----------------------						
Plant & Machinery								
Jigs & Spares		596	511	85	-	(85)	Negotiation	Mr. Noor Khan – Scrap Contractor
Wire Cutting & Stripping Machine		781	607	174	14	(160)	Negotiation	
Electric Power Wire Stripping & Kinking Machine		302	197	105	-	(105)	Negotiation	
Cloth Rewinding Machine		858	751	107	111	4	Negotiation	Mr.Ayub – Shershah Karachi
Inkjet Printer		540	418	122	127	5	Negotiation	Mr. Ayub – Shershah Karachi
Sanding & Cutting Machine		1,521	1,424	97	102	5	Negotiation	Mr. Ayub – Shershah Karachi
Press Plate		5,522	5,345	177	2,730	2,553	Negotiation	Mr.Ayub – Shershah Karachi
Item having book value upto Rs. 50,000		2,243	2,067	176	1,936	1,760	Various	
		12,363	**11,320**	**1,043**	**5,020**	**3,977**		
Vehicles								
Toyota MarkII	ACU 909	1,315	927	388	388	-	Sold under Company's car scheme	Mr. Kersi D. Kapadia – Employee
Daihatsu Cuore	APL-356	477	170	307	435	128	Sold under Company's car scheme	Mr. Zaki Khan – Employee
Toyota Corolla	AMA-617	900	454	446	639	193	Sold under Company's car scheme	Mr. Tariq Ansari – Employee
Toyota Corolla	APH-437	936	343	593	746	153	Sold under Company's car scheme	Mr. Zafar Kamal – Employee
Suzuki Cultus	AGQ-095	541	376	165	177	12	Sold under Company's car scheme	Mr. Jawwad Habib – Employee
Daihatsu Cuore	AKN-671	485	299	186	314	128	Sold under Company's car scheme	Mr. Ibrahim Habib – Employee
Toyota Corolla	LEE - 7810	910	376	534	732	198	Sold under Company's car scheme	Mr. Mehdi Abbas – Employee
Daihatsu Cuore	AQA - 329	528	173	355	459	104	Sold under Company's car scheme	Mr. Tasneem Alam – Employee
Daihatsu Cuore	AKG - 806	485	296	189	388	199	Sold under Company's car scheme	Mr. Eijaz Raza – Employee
Daihatsu Coure	AGR 457	446	310	136	147	11	Sold under Company's car scheme	Mr. Mirza S Babar – Employee
Daihatsu Coure	AGR 527	423	294	129	140	11	Sold under Company's car scheme	Mr. Hussain Q Rizvi – Employee
Daihatsu Coure	AMA 734	454	237	217	317	100	Sold under Company's car scheme	Mr. Syed M Kamran – Employee
Toyota Corona	ACN 654	1,200	1,063	137	145	8	Sold under Company's car scheme	Mr. Kersi D. Kapadia – Employee
Honda City	ACZ 554	781	695	86	300	214	Sold under Company's car scheme	Mr. Wazir Ali – Employee
Daihatsu Cuore	AND 814	392	205	187	214	27	Sold under Company's car scheme	Mr.Laique Ahmed Khan –Employee
Toyota Corolla	AEM 014	1,169	936	233	233	-	Sold under Company's car scheme	Mr. Sohail P. Ahmed – Chief Executive
Toyota Corolla	AGQ 923	886	638	248	650	402	Negotiation	Mr. Usman Bhatti – Employee
Item having book value upto Rs. 50,000		1,766	1,198	568	1,568	1,000	Various	
		14,094	**8,990**	**5,104**	**7,992**	**2,888**		
Office and mills equipment								
Items having book value upto Rs. 50,000		2,715	2,409	306	235	(71)	Various	
Computer								
Computer		74	2	72	72	-	Trade in	PC Store, Karachi
Items having book value upto Rs. 50,000		1,719	1,700	19	283	264		
		1,793	**1,702**	**91**	**355**	**264**		
Furniture and fittings								
Items having book value upto Rs. 50,000		589	519	70	30	(40)	Various	
June 30, 2010		**31,554**	**24,940**	**6,614**	**13,632**	**7,018**		
		-	-	-		-		
June 30, 2009		23,143	12,181	10,962	12,785	1,823		

	2010	2009
	(Rupees in thousands)	

3.4 CAPITAL WORK-IN-PROGRESS

	2010	2009
Civil works	**-**	415
Plant and machinery	**1,103**	-
Office and mills equipment	**473**	-
Furniture and fittings	**341**	-
Advance against moulds	**-**	1,625
	1,917	2,040

4. INVESTMENT PROPERTY

	Cost as at July 1, 2009	Additions	Cost as at June 30, 2010	Accumulated depreciation as at July 1, 2009	Depreciation for the year (Note 26)	Accumulated depreciation as at June 30, 2010	Book value as at June 30, 2010	Depreciation Rate %
	(Rupees in thousands)							
Freehold land	891	-	891	-	-	-	891	-
Building	694	-	694	521	8	529	165	5
2010	**1,585**	**-**	**1,585**	**521**	**8**	**529**	**1,056**	
2009	1,585	-	1,585	512	9	521	1,064	

4.1 Investment property comprises of a godown in Multan which has been let out. The fair value on the basis of a valuation carried out by an independent approved valuer, as at June 30, 2010 is Rs. 19.93 million (2009: Rs. 17.43 million) .The valuation was arrived at by reference to market values and realisable values, which are determined on the basis of market intelligence, indexation of the original cost, year of construction and present physical condition and location.

5. LONG-TERM INVESTMENTS

	Note	Holding %	2010 (Rupees in thousands)	Holding %	2009 (Rupees in thousands)
Investments in related parties					
Quoted associates – at cost					
Indus Motor Company Limited		6.22	48,900	6.22	48,900
Dynea Pakistan Limited		4.33	1,800	4.33	1,800
Habib Insurance Company Limited		4.63	561	4.63	561
Agriauto Industries Limited		7.35	9,473	7.35	9,473
Shabbir Tiles and Ceramics Limited		2.61	15,585	2.61	15,585
			76,319		76,319
Unquoted subsidiaries - at cost					
Noble Computer Services (Private) Limited		99.85	999	99.85	999
Pakistan Industrial Aids (Private) Limited		100	10,000	100	10,000
Makro-Habib Pakistan Limited (MHPL)	**5.1**	100	3,358,608	55	1,982,752
			3,369,607		1,993,751
Other investments – at fair value					
Available-for-sale - Quoted					
Habib Sugar Mills Limited			34,814		30,826
GlaxoSmithKline (Pakistan) Limited			89		131
			34,903		30,957
			3,480,829		2,101,027

5.1 The Company acquired the remaining 215,990,000 shares of Makro-Habib Pakistan Limited (MHPL) at an aggregate consideration of Rs. 1,376 million on May 31, 2010 and MHPL become a 100% owned subsidiary of the Company.

Under the terms of the Share Purchase Agreements with the sellers, the Company paid an initial amount of Rs. 946 million and the balance consideration amounting to approximately Rs. 430 million shall be payable by the Company on the occurrence of the following events:

- The Company claims that Group Tax Relief for the tax years 2008 and 2009 can be fully sustained. The Company intends to avail Group Tax Relief for the tax year 2010. In the event, the Company is unable to sustain Group Tax Relief for the three years (2008-2010) or such a determination cannot be made on or before June 30, 2014, the balance amount of Rs.251 million shall be payable to the sellers; and

- The Company determines that MHPL will not incur an impairment loss due to possible closure of its Sadder store. In the event that such a determination cannot be made on or before June 30, 2014, the balance amount of Rs.179 million shall be payable to the sellers.

The Company has made full provision for the aforesaid liability (refer note 20).

6. LONG-TERM LOANS AND DEPOSITS

	Note	2010	2009
		(Rupees in thousands)	
Loans to employees – unsecured, considered good			
Interest bearing		**114**	199
Interest free		**10**	46
Current portion	11	**(71)**	(139)
		53	106
Long-term deposits			
Security deposits		**2,829**	2,672
Utilities		**2,345**	1,213
Others		**187**	201
		5,361	4,086
		5,414	4,192

7. LONG TERM PREPAYMENT

	Note	2010	2009
Rent		**3,600**	7,200
Current portion	11	**(3,600)**	(3,600)
		-	3,600

8. STORES, SPARES AND LOOSE TOOLS

	2010	2009
Stores	**15,128**	12,048
Spares	**49,111**	52,673
Loose tools	**67**	93
	64,306	64,814

	Note	2 0 1 0	2 0 0 9
		(Rupees in thousands)	

9. STOCK-IN-TRADE

	Note	2010	2009
Raw material			
In hand	9.1	**1,500,919**	1,405,929
In transit		**326,185**	158,378
		1,827,104	1,564,307
Work-in-process		**115,950**	123,437
Finished goods	9.2	**197,600**	169,459
Trading stock		**-**	10,045
		2,140,654	1,867,248

9.1 Raw materials amounting to Rs. 4.657 million (2009: Rs. 11.307 million) are held with the sub-contractors.

9.2 This includes items amounting to Rs.Nil (2009: Rs. 7.44 million) carried at net realizable value.

	Note	2 0 1 0	2 0 0 9
		(Rupees in thousands)	

10. TRADE DEBTS – unsecured

	Note	2010	2009
Considered good	10.1	**875,623**	358,668
Considered doubtful		**9,607**	6,204
Provision for impairment	10.3	**(9,607)**	(6,204)
		-	-
		875,623	358,668

10.1 This includes amount due from the following related parties:

	2010	2009
- Indus Motor Company Limited	**41,012**	41,299
- Dynea Pakistan Limited	**85**	-
- Shabbir Tiles and Ceramics Limited	**11,858**	3,061
- Makro-Habib Pakistan Limited	**114**	-
	53,069	44,360

10.2 The ageing of trade debts at June 30 is as follows

	2010	2009
Neither past due nor impaired	**302,047**	278,490
Past due but not impaired		
- 31 to 60 days	**357,326**	60,371
- over 61 days	**216,250**	19,807
	875,623	358,668

10.3 Reconciliation of provision for impairment of trade debts

	Note	2010	2009
Opening provision		**6,204**	7,047
Charge for the year	25	**4,027**	561
Reversal for the year	27	**-**	(1,404)
Bad debts written off		**(624)**	-
Balance at the end of the year		**9,607**	6,204

	Note	2010	2009
		(Rupees in thousands)	
11. LOANS, ADVANCES, DESPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Considered good – unsecured			
Loans			
Current portion of long term loans to employees	**6**	**71**	139
Advances			
Suppliers		**20,865**	24,879
Employees		**1,008**	2,611
		21,873	27,490
Deposits			
Tender / Performance guarantee		**39,299**	45,213
Margin against letters of credit		**250**	282
Lease		**230**	615
Others		**4,675**	1,991
		44,454	48,101
Short-term prepayments			
Current portion of long term prepayment	**7**	**3,600**	3,600
Insurance		**6,604**	3,329
Others		**2,271**	783
		12,475	7,712
Other receivables	**11.1**	**16,276**	26,267
		95,149	109,709

11.1 Other receivables

	Note	2010	2009
Duty drawback		**6,817**	4,499
Workers' Profit Participation Fund	**11.2**	**1,087**	307
Others	**11.3**	**8,372**	21,461
		16,276	26,267

11.2 Workers' profit participation fund

	2010	2009
Balance at the beginning of the year	**307**	9,367
Add: Allocation for the current year	**(108,944)**	(52,893)
	(108,637)	(43,526)
Paid during the year	**109,724**	43,833
	1,087	307

11.3 This includes receivable from the following related parties:

	2010	2009
Indus Motor Company Limited	**2**	5
Agriauto Industries Limited	**9**	134
Habib Insurance Company Limited	**18**	19,848
Makro-Habib Pakistan Limited	**-**	14
Noble Computer Services (Private) Limited	**37**	-
Dynea Pakistan Limited	**15**	-
	81	20,001

	Note	2010	2009
		(Rupees in thousands)	
12. SHORT-TERM INVESTMENT			
Held-to-maturity – at amorised cost			
Held- to- maturity - at cost			
Term Deposit Receipts	**12.1**	**654**	601
Accrued profit thereon		**58**	47
		712	648

12.1 Represents three months Term Deposit Receipts of Habib Metropolitan Bank Limited, a related party carrying expected profit rate of 10.50% (2009: 10.25%) per annum and have maturity upto August 10, 2010 and is held by a bank as security against a letter of guarantee issued on behalf of the Company.

	2010	2009
	(Rupees in thousands)	
13. INCOME TAX REFUNDABLE		
On account of Group Relief	**459,562**	261,000

13.1 The Company in its tax return for the tax years 2008 and 2009 claimed Group Relief under section 59B of the Income Tax Ordinance, 2001 (the Ordinance) by acquiring tax losses of its subsidiary company – Makro-Habib Pakistan Limited (MHPL) aggregating to Rs. 1,312 million (2009: Rs. 745 million), equivalent to a tax value of Rs. 459.56 million (2009: Rs. 261 million).

The assessment for the tax year 2008 was finalized and Group Relief amounting to Rs. 261 million was not allowed by the Taxation Officer. The Company preferred an appeal against this assessment with the Commissioner of Income Tax (Appeal), which is pending for hearing. In order to remove the reasons for disallowances, the Company paid the tax losses to MHPL and also obtained the designation from SECP as a Company entitled for Group Relief during the year.

The Company in its tax return for 2009 claimed Group Relief equivalent to tax value of Rs.198.577 million.

The Company is hopeful that the issue of Group Relief will be decided in its favour. In the event Group Relief is ultimately disallowed, MHPL will refund to the Company an amount of Rs. 459.56 million (2009: Rs: 261 million).

	Note	2010	2009
		(Rupees in thousands)	
14. CASH AND BANK BALANCES			
In hand		**4,010**	2,285
With banks in:			
- current accounts		**13,307**	13,612
- call deposits accounts	**14.1**	**724,327**	505,691
		737,634	519,303
		741,644	521,588

14.1 This represents deposits with Habib Metropolitan Bank Limited, a related party, and carries markup at the rate of 8% to 10% (2009: 8.75% to 10%) per annum.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		2010	2009
Number of Ordinary shares of Rs. 5/- each			(Rupees in thousands)	
5,149,850	5,149,850	Fully paid in cash	**25,750**	25,750
		Issued as fully paid bonus shares		
26,239,853	14,060,033	Opening balance	**131,199**	70,300
8,525,874	12,179,820	Issued during the year	**42,630**	60,899
34,765,727	26,239,853	Closing balance	**173,829**	131,199
11,239,669	11,239,669	Shares issued under the Scheme of Arrangement for Amalgamation	**56,198**	56,198
51,155,246	42,629,372		**255,777**	213,147

15.1 Habib Insurance Company Limited, a related party, holds 1,444,956 (2009: 1,204,130) ordinary shares of Rs. 5/- each.

		2010	2009
		(Rupees in thousands)	
16.	**RESERVES**		
	Capital Reserves		
	Reserve arising on merger of former Pakistan Jute and Synthetics Limited and former Thal Jute Mills Limited	**13,240**	13,240
	Reserve arising on merger of former Pakistan Paper Sack Corporation Limited and former Khyber Papers (Private) Limited	**42,464**	42,464
		55,704	55,704
	Gain on changes in fair value of available for sale investments - net	**33,663**	29,717
	Revenue Reserves		
	General reserve	**4,002,999**	3,429,999
	Unappropriated profit	**1,315,895**	659,020
		5,318,894	4,089,019
		5,408,261	4,174,440

17. LONG TERM FINANCE – secured

	Note	2010	2009
Habib Metropolitan Bank Limited – a related party	**17.1**	**247,500**	337,500
Habib Bank Limited	**17.2**	**500,000**	-
Less: Current portion shown under current liabilities		**(90,000)**	(90,000)
		657,500	247,500

17.1 This represents long term finance repayable in 20 equal quarterly installments of Rs. 22.50 million each effective from July 26, 2008.This finance carries a mark-up at the rate of 3 months' KIBOR + 0.50%, repayable by April 25, 2013.

This facility is secured against pledge of shares of quoted associate companies having a market value of Rs. 432 million (2009: Rs. 670 million).

17.2 This represents long term finance obtained on June 11, 2010 for a period of 5 years repayable in 16 equal quarterly installments from September 2011. This finance carries a mark-up at the rate of 3 months' KIBOR + 1.20%.

This loan is secured against equitable mortgage of property of the Company having fair market value of Rs. 952.74 million.

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	June 30, 2010		June 30, 2009	
	Minimum lease payments	Present value of minimum Lease payments	Minimum Lease Payments	Present value of minimum Lease Payments
	(Rupees in thousands)			
Not later than one year	**9,412**	**8,098**	15,155	13,155
Later than one year but not later than five years	**5,146**	**4,781**	8,640	7,826
Total minimum lease payments	**14,558**	**12,879**	23,795	20,981
Finance charges allocated to future periods	**(1,679)**	**-**	(2,814)	-
Present value of minimum lease payments	**12,879**	**12,879**	20,981	20,981
Current portion shown under current liabilities	**(8,098)**	**(8,098)**	(13,155)	(13,155)
	4,781	**4,781**	7,826	7,826

18.1 This represents finance lease entered into with a modaraba for vehicles and plant and machinery. The balance of the liability is payable by June 2013 in monthly installments. The above lease contracts contain a bargain purchase option. Monthly lease payments include finance charges ranging from 6 months KIBOR + 2.75% to 3% (2009: KIBOR + 2.75% to 3%) per annum, which is used as a discounting factor. There are no financial restrictions in the lease agreements.

	Note	2010	2009
		(Rupees in thousands)	

19. DEFERRED TAXATION

Deferred tax comprises temporary differences relating to:

Accelerated tax depreciation		**55,922**	70,071
Assets subject to finance lease		**5,860**	8,106
Provisions		**(10,377)**	(12,318)
		51,405	65,859

20. TRADE AND OTHER PAYABLES

Creditors	**20.1**	**178,790**	90,648
Bills payable		**-**	48,332
Accrued liabilities	**20.2**	**132,867**	126,557
Custom duty payable		**57,877**	31,226
Infrastructure cess payable	**22.1.2**	**177,407**	125,416
Unclaimed salaries		**4,751**	5,657
Warranty obligations	**20.3**	**67,369**	58,374
Royalty		**55,832**	56,283
Workers' welfare fund		**41,399**	20,100
Security deposits		**3,065**	3,993
Unclaimed and unpaid dividend		**13,440**	11,804
Consideration payable against acquisition of shares of Makro-Habib Pakistan Limited	**20.4 & 5.1**	**429,821**	-
Other liabilities	**20.5**	**15,490**	18,455
		1,178,108	596,845

	Note	2010	2009
		(Rupees in thousands)	

20.1 This includes due to the following related parties:

Makro-Habib Pakistan Limited		**166**	837
Dynea Pakistan Limited		**15,528**	17,555
Shabbir Tiles & Ceramics Limited		**44**	-
		15,738	18,392

20.2 This includes due to the following related parties:

Habib Insurance Company Limited		**4,792**	6,092
Noble Computer Services (Private) Limited		**4,193**	2.251
Pakistan Industrial Aid (Private) Limited		**447**	-
		9,432	8,343

20.3 Warranty obligations

Balance at the beginning of the year		**58,374**	90,394
Provision for the year	**25**	**49,749**	31,450
		108,123	121,844
Provision written back		**(31,378)**	(59,016)
Claims paid during the year		**(9,376)**	(4,454)
Balance at the end of the year		**67,369**	58,374

20.4 This includes amount payable to Agriauto Industries Limited – related party of Rs.49.253 million.

	Note	2010	2009
		(Rupees in thousands)	
20.5 Other liabilities			
Tax deducted at source		**1,010**	2,189
Advances from customers		**5,226**	3,216
Payable to provident fund		**300**	3,968
Payable to retirement benefit fund		**3,089**	3,021
Others		**5,865**	6,061
		15,490	18,455

21. SHORT-TERM BORROWINGS – secured

Short-term running finance – Banks			
Related party		**45,773**	49,774
Others		**99,418**	116,528
	21.1	**145,191**	166,302
Export re-finance – Banks			
Related party		**192,100**	135,000
Others		**39,000**	23,000
	21.2	**231,100**	158,000
		376,291	324,302

21.1 The rates of mark-up ranges from one month to three months' KIBOR plus rates varying from 1% to 1.5% (2009: 1% to 1.5%) per annum. This includes Rs. 289 million (2009: Rs. 295 million) available from Habib Metropolitan Bank Limited, a related party. The purchase prices are available on various dates with a renewable option. The facilities are secured by way of joint pari-passu charge against hypothecation of the Company's stock-in-trade and book debts.

21.2 This Export Refinance Facility (ERF) has been availed from Habib Metropolitan Bank Limited, a related party and Habib Bank Limited under the scheme of State Bank of Pakistan. The ERF is available at mark up rate of 7.5% to 9% (2009: 7.5%) and the facility is secured against joint hypothecation of stock and receivables and lien on export documents.

	2010	**2009**
	(Rupees in thousands)	
22. CONTINGENCIES AND COMMITMENTS		
22.1 Contingencies		
22.1.1 Letter of guarantees issued by banks on behalf of the Company.	**29,446**	9,657

22.1.2 The Divisional Bench of the Honorable High Court of Sindh through its order dated September 17, 2008 has declared the levy of the infrastructure cess/fee by the excise and the taxation department, government of Sindh upto December 27, 2006 as ultra vires of the Constitution. The levy subsequent to December 27, 2006 has been declared as valid and constitutional.

The Company has filed an appeal before the Honorable Supreme Court of Pakistan against the above order of the Honorable High Court of Sindh whereby the Honorable High Court of Sindh had declared infrastructure cess/fee subsequent to December 27, 2006 as valid and constitutional. The Honorable Supreme Court of Pakistan has accepted the petition and granted stay order against the payment of levy subject to the submission of bank guarantees.

The Company has decided not to reverse the liability pertaining to the periods prior to December 27, 2006 as the excise department, Govertment of Sindh has also filed an appeal before the Honorable Supreme Court of Pakistan against the above order of the Honorable High Court of Sindh. Therefore, the Company continues to provide for additional liability of the charge until the matter is finally decided by the Supreme Court of Pakistan.

	2010	**2009**
There is an un-utilised portion of the bank guarantee issued in favour of excise and taxation department, Government of Sindh against the levy of infrastructure cess on the imported goods. The utilized portion of guarantee amounting to Rs.177.407 million (2009; Rs. 125.416 million) is shown under infrastructure cess payable in note 20 to the financial statements.	**2,965**	8,956

	2010	2009
	(Rupees in thousands)	
22.1.3 Khyber Papers (Private) Limited (KPPL) merged into the Company with effect from July 1,2005. Pursuant to the decision of the Honorable Supreme Court of Pakistan, remanding back the cases of former Khyber Papers (Private) Limited (KPPL) to the concerned authority for re-examining the eligibility of KPPL to avail the concessions available under the Protection of Economic Reforms Act 1992 (the Act). The Company has pleaded that the minimum tax under section 80D of the repealed Income Tax Ordinance, 1979 is not chargeable in its case under the Act. Thereafter, the Commissioner Inland Revenue (Appeals) (CIRA) vide appellate order dated October 30, 2008 has concluded that the Company did not fulfill the conditions of the restated SRO therefore the minimum tax under section 80D be charged for the assessment years 1992-93 to 200-01, excluding assessment year 1998-99. The Company has filed appeals against the order of the CIRA for all the above mentioned years before the Income Tax Appellate Tribunal and the management expects a favourable outcome, based on the opinion of its tax advisor and companies with similar status.	**12,681**	12,681
22.1.4 Post dated cheques have been issued to the Collector of Customs in respect of differential duty between commercial and concessional rate of duty, duty and tax remission on exports and safe transport requirement under various SROs.	**94,721**	55,516

22.2 Commitments

Letters of credit outstanding for raw material and spares	**674,665**	359,990

23. TURNOVER – net

	2010	2009
Export sales	**625,344**	484,888
Local sales	**12,112,969**	8,811,224
	12,738,313	9,296,112
Less: Sales tax	**1,326,223**	904,995
Federal excise duty	**83,276**	56,530
	11,328,814	8,334,587
Add: Duty drawback	**7,537**	5,426
Less: Expenses on export sales		
Freight outward	**27,576**	27,262
Commission and brokerage	**3,090**	2,809
	30,666	30,071
Less: Expenses on local sales		
Freight outward	**39,430**	40,300
Sales discount	**12,897**	5,543
Sales return	**106**	-
Commission and brokerage	**205**	807
Others	**-**	310
	52,638	46,960
	11,253,047	8,262,982

	Note	2 0 1 0	2 0 0 9
		(Rupees in thousands)	

24. COST OF SALES

	Note	2010	2009
Raw material consumed	24.1	**7,620,853**	5,707,665
Salaries, wages and benefits		**620,885**	643,583
Stores and spares consumed		**108,305**	105,001
Repairs and maintenance		**62,693**	61,667
Power and fuel		**164,450**	153,541
Rent, rates and taxes		**2,805**	2,191
Vehicle running and maintenance		**7,893**	7,377
Insurance		**8,343**	10,203
Communication		**2,721**	2,650
Travelling and conveyance		**4,667**	5,636
Entertainment		**348**	465
Printing and stationery		**2,298**	2,349
Legal and professional		**636**	513
Computer accessories		**9,894**	3,071
Royalty		**90,944**	44,524
Depreciation	3.2	**98,299**	96,550
Research and development		**4,765**	2,913
Technical assistance fee		**-**	18,235
Others		**10,851**	7,493
		8,821,650	6,875,627
Work-in-process			
Opening		**123,437**	108,369
Closing		**(115,950)**	(123,437)
		7,487	(15,068)
Cost of goods manufactured		**8,829,137**	6,860,559
Finished goods			
Opening		**169,459**	162,582
Stock destroyed		**-**	(18,143)
Closing		**(197,600)**	(169,459)
		(28,141)	(25,020)
		8,800,996	6,835,539

24.1 Raw material consumed

	2010	2009
Opening stock	**1,405,929**	1,461,813
Purchases	**7,715,843**	5,651,781
Closing stock	**(1,500,919)**	(1,405,929)
	7,620,853	5,707,665

	Note	2010	2009
		(Rupees in thousands)	

25. DISTRIBUTION COSTS

	Note	2010	2009
Salaries and benefits		**31,343**	38,061
Vehicle running expense		**2,710**	2,768
Utilities		**660**	508
Insurance		**2,253**	2,179
Rent, rates and taxes		**7,340**	5,383
Communication		**1,483**	1,479
Advertisement and publicity		**3,451**	2,171
Travelling and conveyance		**3,189**	2,933
Entertainment		**392**	345
Printing and stationery		**428**	324
Legal and professional		**197**	177
Computer accessories		**653**	92
Research and development		**86**	146
Depreciation	**3.2**	**1,107**	1,674
Provision for impairment of debts	**10.3**	**4,027**	561
Repairs and maintenance		**1,397**	576
Export expenses		**10,440**	7,131
Provision for warranty claims	**20.3**	**49,749**	31,450
Others		**891**	1,691
		121,796	99,649

26. ADMINSTRATIVE EXPENSES

	Note	2010	2009
Salaries and benefits		**118,997**	110,062
Vehicle running expense		**7,713**	9,189
Utilities		**3,418**	3,564
Insurance		**1,086**	1,209
Rent, rates and taxes		**1,736**	2,168
Communication		**3,039**	3,230
Advertisement and publicity		**1,262**	259
Travelling and conveyance		**12,020**	9,687
Entertainment		**740**	709
Printing and stationery		**2,163**	1,958
Legal and professional		**64,683**	33,022
Auditors' remuneration	**26.1**	**2,728**	1,722
Computer accessories		**6,023**	1,743
Depreciation	**3.2**	**6,760**	6,201
Depreciation on investment property	**4**	**8**	9
Repairs and maintenance		**3,799**	3,950
Charity and donations	**26.2**	**18,459**	11,344
Subscription		**1,410**	1,445
Others		**1,906**	169
		257,950	201,640

	2010	2009
	(Rupees in thousands)	

26.1 Auditors' remuneration

	2010	2009
Audit fee	**1,100**	900
Half-yearly review	**200**	200
Taxation services	**946**	777
Other certifications	**150**	165
Out of pocket expenses	**332**	332
	2,728	2,374

26.2 Charity and donations

Charity and donations include the following donees in whom directors or their spouses are interested:

Name of donee	Address of donee	Name of directors/spouse	Interest in done	2010 (Rupees in thousands)	2009
Mohamedali Habib Welfare Trust	2nd Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharea Faisal, Karachi.	Mr. Rafiq M. Habib Mr. Ali S. Habib "	Trustee Trustee	**6,287**	275
Habib Education Trust	4th floor, United Bank building, I.I. Chundrigar, Road, Karachi	Mr. Ali S. Habib Mr. Mohamed Ali R. Habib "	Trustee Trustee	**6,000**	6,050
Anjuman -e-Behbood-Samat -e- Itefal	ABSA School 26-C National Highway, Korangi Road, Karachi.	Mrs. Rafiq M. Habib	Vice President	**63**	36
Al Sayyeda Benevolent Trust	United Bank Building, I.I. Chundrigar Road, Karachi.	Mr. Rafiq M. Habib	Trustee	**2,500**	-

27. OTHER OPERATING INCOME

	Note	2010 (Rupees in thousands)	2009
Income from financial assets			
Dividend income			
-Related parties		**84,683**	35,608
-Others		**2,096**	1,131
Profit on call deposit accounts and short term investments		**40,575**	8,448
Reversal of provision for impairment of trade debts	**10.3**	**-**	1,404
Liabilities/provision no longer payable/required written back		**34,496**	59,381
Exchange gain – net		**969**	-
		162,819	105,972
Income/(loss) from non-financial assets			
Gain on disposal of property, plant and equipment	**3.3**	**7,018**	1,823
Rental income from investment property		**1,026**	925
Sale of scrap		**19,086**	4,377
Claim from suppliers		**5,494**	4,929
Obsolete stores and spares written off		**-**	(377)
Miscellaneous income		**6,429**	2,664
		39,053	14,341
		201,872	120,313

	Note	2010	2009
		(Rupees in thousands)	

28. FINANCE COSTS

Mark-up / interest on:			
Long-term finance			
- Related party		**38,899**	59,309
- Others		**4,916**	-
Short-term borrowings			
- Related party		**17,449**	25,062
- Others		**26,392**	98,242
Finance lease		**2,806**	4,439
Bank charges and commission		**4,823**	4,133
		95,285	191,185

29. OTHER CHARGES

Workers' profits participation fund		**108,944**	52,893
Workers' welfare fund		**41,073**	16,302
Exchange loss – net		**-**	15,633
		150,017	84,828

30. TAXATION

Current		**680,040**	302,254
Prior		**(3,000)**	11,617
Deferred		**(14,455)**	20,714
	30.1	**662,585**	334,585

30.1 Relationship between income tax expense and accounting profit

Profit before tax	**2,028,875**	988,680
Tax at the applicable tax rate of 35% (2009: 35%)	**710,106**	346,038
Tax effect of expenses that are inadmissible in determining taxable income	**80,737**	61,870
Tax effect of expenses that are admissible but not included in determining accounting profit	**(37,040)**	(54,530)
Tax effect of lower tax rates	**(42,645)**	(37,587)
Tax effect due to application of final tax regime	**(31,118)**	(13,537)
Tax effect of prior years	**(3,000)**	11,617
Tax effect of temporary differences	**(14,455)**	20,714
	662,585	334,585

31. BASIC AND DILUTED EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2010	2009
	(Rupees in thousands)	
Profit for the year after taxation	**1,366,290**	654,095
	Number of shares In thousands	
		(Restated)
Number of ordinary shares of Rs. 5/- each in issue	**51,155**	**51,155**
	Rupees	
Basic and diluted earnings per share	**26.71**	12.79

	Note	2010	2009
		(Rupees in thousands)	

32. CASH GENERATED FROM OPERATIONS

	Note	2010	2009
Profit before taxation		**2,028,875**	988,680
Adjustments for non-cash charges and other items:			
Depreciation		**106,174**	104,434
Finance costs		**95,285**	191,185
Profit on call deposit and short-term investments		**(40,575)**	(8,448)
Liabilities/provision no longer payable/required written back		**(34,496)**	(59,381)
Dividend income		**(86,779)**	(36,739)
Provision / (Reversal) for impairment of trade debts		**4,027**	(843)
Provision for retirement benefits		**1,976**	2,514
Gain on disposal of property, plant and equipment		**(7,018)**	(1,823)
		38,594	190,899
		2,067,469	1,179,579
(Increase) / decrease in current assets			
Stores, spares and loose tools		**508**	5,244
Stock-in-trade		**(273,406)**	145,052
Trade debts		**(520,982)**	290,877
Loans, advances, deposits, prepayments and other receivables		**20,765**	111,058
Increase / (decrease) in current liabilities			
Trade and other payables		**633,829**	(9,487)
Sales tax payable		**(9,889)**	39,289
		(149,175)	582,033
		1,918,294	1,761,612

33. CASH AND CASH EQUIVALENTS

	Note	2010	2009
Cash and bank balances	14	**741,644**	521,588
Running finance	21	**(145,191)**	(166,302)
		596,453	355,286

34. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise subsidiaries, associates, companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2010	2009
	(Rupees in thousands)	
Sales	**5,593,282**	3,570,294
Payment to a subsidiary for tax loss	**198,576**	261,000
Professional services acquired	**43,491**	25,551
Insurance premium	**42,292**	28,314
Purchase of assets	**-**	119
Purchase of goods	**83,922**	88,673
Insurance claim received	**7,010**	23,117
Mark-up and bank charges paid	**60,301**	90,710
Profit received	**40,848**	7,420
Supplies purchased	**9,101**	4,404
Contribution to provident fund	**22,375**	23,874
Contribution to retirement benefit fund	**1,655**	2,514

There are no transactions with key management personnel other than under the terms of employment as disclosed in note 35.

The related party status of outstanding receivable/payable as at June 30, 2010 is disclosed in the respective notes to the financial statements.

35. REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVE

	June 2010			June 2009		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	**7,968**	**1,320**	**80,858**	7,968	1,320	73,003
Company's contribution to provident fund	**273**	**76**	**2,998**	273	76	2,847
Company's contribution to retirement fund	**-**	**-**	**1,326**	-	-	1,417
Other perquisites	**-**	**-**	**187**	-	-	464
	8,241	**1,396**	**85,369**	8,241	1,396	77,731
Number of persons	**1**	**1**	**41**	1	1	40

35.1 The Chief executive, directors and certain executives of the Company are provided with free use of Company maintained cars.

35.2 Three directors (2009: Three) have been paid fees of Rs. 60,000 (2009: Rs. 65,000) for attending board meetings.

36. PLANT CAPACITY AND ACTUAL PRODUCTION

	Note	Engineering Operation		Jute Operation		Papersack Operation	
		Units 2010	Units 2009	Metric Tons 2010	Metric Tons 2009	Nos (000) 2010	Nos (000) 2009
Annual Capacity							
Jute	36.1	-	-	33,800	33,800	-	-
Auto air conditioners		90,000	90,000	-	-	-	-
Paper bags		-	-	-	-	140,000	140,000
Actual Production							
Jute	36.1	-	-	29,353	35,197	-	-
Auto air conditioners		60,754	43,770	-	-	-	-
Wire harness	36.2	64,957	43,203	-	-	-	-
Paper bags			-	-	-	98,019	79,181
Reason for shortfall / excess		Low demand	Low demand		-	Frequent product mix change	Frequent product mix change

36.1 The production during the year was lower than capacity as management curtailed production of 3rd shift during quarter-3 because of scarcity of raw jute in the market. The production based on number of days worked in financial year 2010 was 302 (2009: 319).

36.2 The capacity of wire harness could not be determined as it is dependent on product mix.

36.3 The production capacity of Laminate Operations cannot be determined as this depends on the relative proportion of various types of products.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

37.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is mainly exposed to credit risk on trade debts, short term investments and bank balances. The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	Carrying Values	
	2010	2009
	------- (in thousands) ----	
37.1.1 Trade debts		
Customers with no defaults in the past one year	**875,623**	358,668

37.1.2 Short-term investments and bank balances

Out of the total bank balances of Rs. 737.634 million (2009: Rs. 519.303 million) placed with banks, amounts aggregating Rs. 736.01 million (2009: Rs. 517.994) and short-term investments of Rs. 0.654 million (2009: Rs.0.601 million) have been placed with banks having short-term credit rating of A1+.

37.2 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with the financial instruments. To guard against the risk, the Company has diversified funding sources and the assets are managed with liquidity in mind. The maturity profile is monitored to ensure that adequate liquidity is maintained.

Year ended 30 June 2010	**On demand**	**Less than 3 months**	**3 to 12 Months**	**1 to 5 years**	**Total**
	----------------------------------	----------------------------------	(Rupees In '000)	----------------------------------	----------------------------------
Long-term financing – secured	-	-	90,000	657,500	747,500
Short -term borrowing	145,191	-	231,100	-	376,291
Trade and other payables	900,415	-	-	-	900,415
Liabilities against assets subject to finance lease	-	-	8,098	4,781	12,879
Accrued markup	14,676	-	-	-	14,676
Total	**1,060,282**	**-**	**329,198**	**662,281**	**2,051,761**

Year ended 30 June 2009	**On demand**	**Less than 3 months**	**3 to 12 Months**	**1 to 5 years**	**Total**
	----------------------------------	----------------------------------	(Rupees In '000)	----------------------------------	----------------------------------
Long-term financing – secured	-	-	90,000	247,500	337,500
Short -term borrowing	166,302	11,250	146,750	-	324,302
Trade and other payables	417,914	-	-	-	417,914
Liabilities against assets subject to finance lease	-	-	13,155	7,826	20,981
Accrued markup	13,911	-	-	-	13,911
Total	**598,127**	**11,250**	**249,905**	**255,326**	**1,114,608**

37.3 Foreign Currency Risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to foreign currency risk is as follows:

	2010	2009
Trade receivable (US Dollars)	**356,684**	113,856
Trade receivable (Euros)	**27,525**	25,020
Trade and other payables (US Dollars)	**707,170**	852,443
Total (Euros)	**27,525**	25,020
Total (US Dollars)	**350,486**	738,587

	2010	**2009**
The following significant exchange rates have been applied at the reporting dates:		
US Dollars	**85.70**	81.30
Euros	**110.38**	114.82

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar and Euros exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	Change in US dollar & Euros rate (%)	**Effect on profit or (loss) before tax**	**Effect on equity**
		------- (Rs. in thousands) ------	
30 June 2010	+10	**(2,700)**	**(1,818)**
	-10	**2,700**	**1,818**
30 June 2009	+10	(5,717)	(3,782)
	-10	5,717	3,782

37.4 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term and short-term borrowings and liabilities against assets subject to finance lease with floating interest rates.

Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	Increase / decrease in basis points	**Effect on profit before tax** (Rs. In thousands)
2010		
KIBOR	**+100**	**(9,056)**
KIBOR	**-100**	**9,056**
2009		
KIBOR	+100	(5,248)
KIBOR	-100	5,248

37.5 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations through equity and working capital. The Company had a gearing ratio of 13.21% (2009: 7.68%) as of the balance sheet date which in view of the management is adequate considering the size of the operations and its investment in subsidiaries.

37.6 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market date (unobservable inputs).

As at 30 June 2010, the Company has only available-for-sale investments measured at fair value using level 1 valuation techniques.

During the year ended June 30, 2010, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

37.7 Equity price risks

Equity price risk is the risk that the fair value of future cashflows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's quoted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification. Reports on the equity portfolio are submitted to the Company's Board of Directors on a regular basis. The Board of Directors review and approve all equity investment decisions. The Company however, is not significantly exposed to equity price risk as of the balance sheet date.

38. SEGMENT ANALYSIS FOR THE YEAR ENDED JUNE 30,

	2010			2009		
	Engineering	Building material and allied products	Total	Engineering	Building material and allied products	Total
	(Rupees in '000)					
Sales	**6,304,875**	**4,948,172**	**11,253,047**	3,927,287	4,335,695	8,262,982
Segment result	**1,504,455**	**861,579**	**2,366,034**	694,411	693,796	1,388,207
Unallocated corporate (expenses)/income:						
Administrative & distribution costs			**(293,729)**			(243,827)
Other operating income			**201,872**			120,313
Operating profit			**2,274,177**			1,264,693
Finance costs			**(95,285)**			(191,185)
Other charges			**(150,017)**			(84,828)
Taxation			**(662,585)**			(334,585)
			1,366,290			654,095
Operating assets	**1,852,415**	**2,570,174**	**4,422,589**	1,332,718	2,157,985	3,490,703
Unallocated corporate assets			**3,940,391**			2,362,027
			8,362,980			5,852,730
Operating liabilities	**1,863,995**	**783,542**	**2,647,537**	575,168	824,116	1,399,284
Unallocated corporate liabilities			**51,405**			65,859
			2,698,942			1,465,143
Other disclosures:						
Capital expenditure	**48,296**	**14,021**	**62,317**	113,960	22,258	136,218
Depreciation expenses	**71,599**	**34,575**	**106,174**	64,899	39,535	104,434

In order to comply with the requirements of IFRS-8 “Operating Segments” the activities of the Company have been grouped into two segments of related products i.e. Engineering goods and Building material and allied products.

The Engineering segment is engaged in the manufacturing of automotive parts.

The Building material and allied product segment include jute, papersack and laminate operations.

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 25, 2010 by the Board of Directors of the Company.

40. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 25, 2010 has approved the following:

(i) transfer of Rs.1.110 billion from unappropriated profit to general reserve.

(ii) payment of cash dividend of Rs. 3 per share for the year ended June 30, 2010 amounting to Rs. 153.465 million and the issuance of bonus shares in proportion of one ordinary shares for every five ordinary shares for approval of the members at the Annual General Meeting to be held on October 28, 2010.

(iii) to avail Group Relief under section 59B of the Income Tax Ordinance, 2001 by claiming tax losses of its subsidiary company – Makro-Habib Pakistan Limited amounting to Rs. 382.581 million for the tax year 2010. The surrender of such tax loss was also approved by the Board of Directors of Makro-Habib Pakistan Limited at its meeting held on September 16, 2010.

41. GENERAL

Figures have been rounded off to the nearest thousands.

SOHAIL P. AHMED
VICE CHAIRMAN AND CHIEF EXECUTIVE

ALI S. HABIB
DIRECTOR

Six Years at a Glance

(Rs. 000)

	2010	2009	2008	2007	2006	2005
ASSETS EMPLOYEED						
Property, plant and equipment	**486,705**	539,208	506,381	296,536	272,300	233,812
Investment property	**1,056**	1,064	1,073	1,083	1,093	1,104
Long-term investments	**3,480,829**	2,101,027	2,018,013	368,428	242,795	74,975
Long-term loans and deposits	**5,414**	4,192	5,047	5,530	4,774	4,664
Long-term prepayments	**-**	3,600	7,200	10,800	14,400	-
Net current assets	**2,403,720**	2,059,681	1,624,480	2,378,089	1,921,236	1,548,555
Total Assets Employed	**6,377,724**	4,708,772	4,162,194	3,060,466	2,456,598	1,863,110
FINANCED BY						
Shareholder's equity	**5,664,038**	4,387,587	3,743,160	3,033,115	2,431,827	1,844,199
Long-term loans	**657,500**	247,500	360,000	-	-	-
Liabilities against assets subject to finance lease	**4,781**	7,826	13,889	13,515	14,340	9,609
Deferred taxation	**51,405**	65,859	45,145	13,836	10,431	9,302
	6,377,724	4,708,772	4,162,194	3,060,466	2,456,598	1,863,110
	-	-	-	-	-	-
SALES & PROFITS						
Sales	**11,253,047**	8,262,982	7,514,233	6,826,389	5,907,105	4,655,529
Gross Profit	**2,452,051**	1,427,443	1,278,148	1,308,496	1,154,413	856,310
Profit before taxation	**2,028,875**	988,680	1,074,843	1,078,935	963,538	703,939
Profit after taxation	**1,366,290**	654,095	730,204	740,094	663,173	492,213
FINANCIAL RATIOS						
Gross profit as percentage of sales	**22%**	17%	17%	19%	20%	18%
Profit before tax as percentage of sales	**18%**	12%	14%	16%	16%	15%
Profit after tax as percentage of sales	**12%**	8%	10%	11%	11%	11%
Current Ratio	**2.21**	2.77	2.10	4.71	3.54	3.77
Long-term Debt	**13.20**	7.69	12.02	-	-	-
Equity	**86.80**	92.31	87.98	100	100	100
Earnings per share - Re-stated	**26.71**	12.79	14.27	14.47	12.96	9.62
Cash Dividend - TL	80%	20%	-	70%	100%	130%
Cash Dividend - PPCL			-	-	-	20%
Bonus Share	20%	20%	40%	30%	20%	

THAL LIMITED

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousands)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	**4,458,797**	4,722,509
Intangible assets	4	**3,944**	6,912
Investment property	5	**1,056**	1,064
Long-term investments	6	**941,892**	796,038
Long-term loans and deposits	7	**15,611**	14,389
Long term prepayment	8	**90,439**	99,602
Deferred taxation	20	**82,692**	403,370
		5,594,431	6,043,884
CURRENT ASSETS			
Stores, spares and loose tools	9	**64,306**	64,814
Stock-in-trade	10	**3,021,547**	2,692,050
Trade debts	11	**951,945**	403,077
Loans, advances, deposits, prepayments and other receivables	12	**327,852**	184,667
Short-term investments	13	**26,255**	25,338
Accrued profit		**456**	2,655
Income tax refundable	14	**459,562**	261,000
Taxation – net		**-**	11,216
Sales tax refundable		**31,743**	62,188
Cash and bank balances	15	**819,901**	598,641
		5,703,567	4,305,646
TOTAL ASSETS		**11,297,998**	10,349,530
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
100,000,000 (2009: 100,000,000) ordinary shares of Rs.5/- each		**500,000**	500,000
Issued, subscribed and paid-up capital	16	**255,777**	213,147
Share deposit money		**12**	12
Reserves	17	**5,947,881**	4,870,399
Equity attributable to equity holders' of the parent		**6,203,670**	5,083,558
Non-controlling interest		**72**	1,601,805
Total equity		**6,203,742**	6,685,363
NON-CURRENT LIABILITIES			
Long term finance	18	**1,241,875**	950,625
Liabilities against assets subject to finance lease	19	**4,781**	7,919
CURRENT LIABILITIES			
Trade and other payables	21	**2,317,423**	1,669,093
Short-term borrowings	22	**932,403**	745,397
Current portion of long term finance	18	**255,625**	136,875
Current portion of liabilities against assets subject to finance lease	19	**8,098**	13,354
Accrued mark-up		**40,588**	35,156
Taxation – net		**264,063**	66,456
Sales tax payable		**29,400**	39,292
		3,847,600	2,705,623
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITIES AND LIABILITIES		**11,297,998**	10,349,530

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

SOHAIL P. AHMED
VICE CHAIRMAN AND CHIEF EXECUTIVE

ALI S. HABIB
DIRECTOR

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

	Note	2010	2009
		(Rupees in thousands)	
Turnover – net	24	**21,712,502**	16,494,313
Cost of sales	25	**18,495,634**	14,445,869
Gross profit		**3,216,868**	2,048,444
Distribution costs	26	**216,935**	200,155
Administrative expenses	27	**1,554,033**	1,444,104
		1,770,968	1,644,259
Other operating income	28	**(513,063)**	(415,600)
Profit on trading activities		**-**	(18,226)
Operating profit		**1,958,963**	838,011
Finance costs	29	**235,815**	289,866
Other charges	30	**150,721**	86,172
		386,536	376,038
		1,572,427	461,973
Share of net profit of associates – after tax		**227,095**	60,254
Profit before taxation		**1,799,522**	522,227
Taxation	31	**814,944**	379,544
Profit after taxation		**984,578**	901,771
Attributable to			
- Equity holders of Holding Company		**1,234,084**	806,623
- Non-controlling interest		**(249,506)**	95,148
		984,578	901,771
		Rupees	**Rupees (Restated)**
Basic and diluted earnings per share	32	**24.12**	15.77

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

SOHAIL P. AHMED
VICE CHAIRMAN AND CHIEF EXECUTIVE

ALI S. HABIB
DIRECTOR

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

	2010	2009
	(Rupees in thousands)	
Profit after taxation	**984,578**	901,771
Other comprehensive income		
Gain / (loss) on revaluation of available-for-sale investments	**3,946**	(9,380)
Unrealized loss on revaluation of foreign exchange contracts	**(504)**	(1,392)
Other comprehensive income / (loss) for the year – net of tax	**3,442**	(10,772)
Total comprehensive income for the year	**988,020**	890,999

The annexed notes from 1 to 42 form an integral part of these financial statements.

SOHAIL P. AHMED
VICE CHAIRMAN AND CHIEF EXECUTIVE

ALI S. HABIB
DIRECTOR

THAL LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	**1,835,744**	1,544,863
Finance costs paid		**(230,350)**	(274,581)
Dividends paid		**(92,149)**	(68)
Retirement benefits paid		**(1,907)**	(5,703)
Income tax paid		**(503,780)**	(234,129)
Net cash generated from operating activities		**1,007,558**	1,030,382
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(150,025)**	(1,010,688)
Long term loans and deposits		**2,378**	4,455
Dividends received		**86,779**	36,739
Profit received		**51,808**	18,644
Proceeds from disposal of property, plant and equipment		**18,242**	15,282
Investment in subsidiary		**(1,375,856)**	(14,540)
Purchase of investments		**(4,917)**	(10,814)
Net cash used in investing activities		**(1,371,591)**	(960,922)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**-**	67,500
Long term finance - net		**410,000**	637,500
Export refinance obtained		**73,100**	33,461
Repayment of liabilities against assets subject to finance lease		**(15,713)**	(26,951)
Net cash generated from financing activities		**467,387**	711,510
NET INCREASE IN CASH AND CASH EQUIVALENTS		**103,354**	780,970
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**20,244**	(760,726)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**34**	**123,598**	20,244

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

SOHAIL P. AHMED
VICE CHAIRMAN AND CHIEF EXECUTIVE

ALI S. HABIB
DIRECTOR

THAL LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Attributable to equity holders of parent									
			RESERVES							
						Revenue Reserves				
	Issued, subscribed & paid-up capital	Share deposit money	Capital reserve	Unrealised gain / (loss) on hedging instruments	Gain /(loss) on changes in fair value of available for sale investments	General reserve	Unappropriated profit	Total	Non-controlling interest	Total equity
Balance as at June 30, 2008	152,248	12	67,929	616	39,099	2,761,874	1,265,929	4,135,447	1,439,157	5,726,864
Net profit for the year	-	-	-	-	-	-	806,623	806,623	95,148	901,771
Other comprehensive income	-	-	-	(1,392)	(9,380)	-	-	(10,772)	-	(10,772)
Total comprehensive income	-	-	-	(1,392)	(9,380)	-	806,623	795,851	95,148	890,999
Issue of bonus shares in the ratio of 4:10	60,899						(60,899)	(60,899)		
Transfer to revenue reserve						670,000	(670,000)			
Minority interest arising on issue of right shares issued by Makro-Habib Pakistan Limited	-	-	-	-	-	-	-	-	67,500	67,500
Balance as at June 30, 2009	**213,147**	**12**	**67,929**	**(776)**	**29,719**	**3,431,874**	**1,341,653**	**4,870,399**	**1,601,805**	**6,685,363**
Profit for the year	-	-	-	-	-	-	1,234,084	1,234,084	(249,506)	984,578
Other comprehensive income	-	-	-	(504)	3,946	-	-	3,442	-	3,442
Total comprehensive income	-	-	-	(504)	3,946	-	1,234,084	1,237,526	(249,506)	988,020
Issue of bonus shares in the ratio of 2:10	42,630	-	-	-	-	-	(42,630)	(42,630)	-	-
Final dividend @ Re. 1/= per share	-	-	-	-	-	-	(42,630)	(42,630)	-	(42,630)
Interim dividend @ Re. 1/= per share	-	-	-	-	-	-	(51,155)	(51,155)	-	(51,155)
Transfer to revenue reserve	-	-	-	-	-	573,000	(573,000)	-	-	-
Acquisition of non-controlling interest (Note1.2.3)	-	-	-	-	-	-	(23,629)	(23,629)	(1,352,227)	(1,375,856)
Balance as at June 30, 2010	**255,777**	**12**	**67,929**	**(1,280)**	**33,665**	**4,004,874**	**1,842,693**	**5,947,881**	**72**	**6,203,742**

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

SOHAIL P. AHMED
VICE CHAIRMAN AND CHIEF EXECUTIVE

ALI S. HABIB
DIRECTOR

1. THE HOLDING COMPANY AND ITS OPERATIONS

1.1 Thal Limited (the holding company) was incorporated on January 31, 1966 as a public company limited by shares under the Companies Act, 1913 (now the Companies Ordinance, 1984) and is listed on the Karachi and Lahore Stock Exchanges.

The holding company is engaged in the manufacture of jute goods, engineering goods, papersack and laminate sheets. The registered office of the holding company is situated at 4th Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharea Faisal, Karachi.

1.2 The Group comprises of the holding company and the following subsidiary companies that have been consolidated in these consolidated financial statements:

Subsidiary Company	Note	Date of becoming subsidiary	Holding 2010	Holding 2009	Total assets 2010	Total liabilities 2010
			%	%	(Rupees in '000s)	
Noble Computer Services (Pvt) Limited	**1.2.1**	01-07-2005	99.85	99.85	**58,768**	**10,254**
Pakistan Industrial Aids (Private) Limited	**1.2.2**	27-03-2006	100	100	**19,527**	**505**
Makro-Habib Pakistan Limited	**1.2.3**	01-05-2008	100	55	**5,428,842**	**1,856,971**

1.2.1 Noble Computer Services (Private) Limited

Noble Computer Services (Private) Limited was incorporated in Pakistan on May 08, 1983 as a private limited company. The subsidiary is engaged in providing share registrar and related accounting services, share floatation services, data entry services and internal audit services.

1.2.2 Pakistan Industrial Aids (Private) Limited

Pakistan Industrial Aids (Private) Limited was incorporated in Pakistan on March 27, 2006 as a private limited company. The subsidiary is engaged in trading of various products.

1.2.3 Makro-Habib Pakistan Limited

Makro-Habib Pakistan Limited was incorporated in Pakistan on June 29, 2005 as a Public Limited Company. The Company was an associated undertaking of the Holding Company untill April 30, 2008 and became a subsidiary company with effect from May 01, 2008. The subsidiary is engaged in a chain of wholesale / retail cash and carry stores.

The Company acquired the remaining 215,990,000 shares of Makro-Habib Pakistan Limited (MHPL) at an aggregate consideration of Rs. 1,376 million on May 31, 2010 and MHPL become a 100% owned subsidiary of the Company.

Under the terms of the Share Purchase Agreements with the sellers, the Company paid an initial amount of Rs. 946 million and the balance consideration amounting to approximately Rs. 430 million shall be payable by the Company on the occurrence of the following events:

- The Company claims that Group Tax Relief for the tax years 2008 and 2009 can be fully sustained. The Company intends to avail Group Tax Relief for the tax year 2010. In the event, the Company is unable to sustain Group Tax Relief for the three years (2008-2010) or such a determination cannot be made on or before June 30, 2014, the balance amount of Rs.251 million shall be payable to the sellers; and

- The Company determines that MHPL will not incur an impairment loss due to possible closure of its Sadder store. In the event that such a determination cannot be made on or before June 30, 2014, the balance amount of Rs.179 million shall be payable to the sellers.

The Company has made full provision for the aforesaid liability (refer note 21).

The carrying value of net assets of Makro-Habib Pakistan Limited on the date of additional acquisition was Rs. 3,005 million and the carrying value of additional interest acquired was Rs. 1,352 million. The difference of Rs. 23.629 million between the total consideration and carrying value of the interest acquired has been recongnised within equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These consolidated 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 (IFRSs) issued by the International Accounting Standards Board as are as notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except for available for sale financial assets which are shown at fair value as required under IAS – 39 "Financial Instruments; Recognition and Measurement".

2.3 Changes in accounting policies and disclosures:

During the current year, the Group has adopted the following new and amended IFRSs as of July 01, 2009, which has resulted in change in accounting policies and extended disclosures as described below:

IAS1- "Presentation of Financial Statements"

During the year, the Group has adopted (revised) IAS-1 "Presentation of Financial Statements" which became effective from accounting period beginning on or after January 01, 2009. The standard introduces the statement of comprehensive income which presents all items on income and expenses either in one single statement or two linked statements. Accordingly, the Group has elected to present two statements; consolidated profit and loss account and consolidated statement of comprehensive income. As a result of the introduction of consolidated statement of comprehensive income, the consolidated statement of changes in equity will now include only details of transactions with owners and items of other comprehensive income will be presented as a single line item in the said statement.

IAS 23 "Borrowing Costs"

During the year, the Group has adopted the changes in respect of borrowing costs to comply with requirements of revised IAS-23 "Borrowing Costs", which became effective from accounting period beginning on or after January 01, 2009. In accordance with the revised policy, borrowing costs directly attributable to acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset. Previously, all borrowing costs were charged directly to the consolidated profit and loss account as incurred. The change in policy does not have any effect on these financial statements for the reason that during the year the Group has not incurred any borrowing costs directly attributable to the acquisition of, or construction of qualifying assets.

IFRS 7 "Financial Instruments: Disclosure" (Amendments)

IFRS-7 "Financial Instruments: Disclosures" (amendments) requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The fair value measurement disclosures are presented in note 38.6 to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are also presented in note 38.2 to the consolidated financial statements.

IFRS 8 "Operating Segments"

IFRS-8 "Operating Segments" requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determine that the operating segments are the same as the business segments previously identified under IAS 14 "Segment Reporting".

In addition to above, other standards are also effective for the current period, but these are not relevant to the Group.

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

The following revised standards, interpretations and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretations or amendments:

Standards, interpretations or amendments		Effective date (accounting periods beginning on or after)
IFRS 2	Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IAS 24	Related Party Disclosures (Revised)	January 01, 2011
IAS 32	Financial Instruments: Presentation – Amendments related to Classification of Right Issues	February 01, 2010
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Group expects that the adoption of the above revisions, interpretations and amendments of the standards will not affect the Group's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Company expects that such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application.

2.5 Significant accounting judgements and estimates

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgements which are significant to the consolidated financial statements:

(a) determining the residual values and useful lives of property, plant and equipment (Note 2.6);
(b) impairment of assets (Note 2.7)
(c) impairment of inventories / adjustment of inventories to their Net Realisable Value (Note 2.14);
(d) recognition of taxation and deferred tax (Note 2.17);
(e) warranty obligations (Note 2.22); and
(f) contingencies (Note 23).

2.6 Property, plant and equipment

(a) Owned

These are stated at cost less accumulated depreciation and impairment loss except for freehold land and capital work-in-progress which are stated at cost.

Depreciation is charged to the profit and loss account applying the reducing balance method except for computer equipment and jigs and fixtures which are depreciated on straight line method at the rates specified in note 3 to the financial statements. Depreciation on additions is charged from the month of addition and in case of deletion up to the month of disposal.

Maintenance and normal repairs are charged to consolidated profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposals of fixed assets, if any, are included in income currently.

Leasehold land is amortised in equal installments over the lease period.

(b) Leased

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease less financial charges allocated to future periods are shown as a liability.

These financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation is charged at the same rates as charged on the holding group’s owned assets.

2.7 Impairment

The carrying values of the Groups assets except for inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the assets recoverable amount is estimated and impairment losses are recognise in the profit and loss account.

2.8 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment loss. Cost in relation to intangible assets presently held by the Group includes cost of computer software and other expenses incidental to the purchase of computer software. Intangible assets are amortised when assets are available for use on the straight line method whereby cost of intangible assets are written off over the period, which reflects the pattern in which the economic benefits associated with the assets are likely to be consumed by the Group, at the rate specified in note 4.

2.9 Investment property

Investment property is stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged on reducing balance method at the rate specified in note 5.

2.10 Leases and licenses

The Group is the lessee (operating leases)

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight line basis over the lease term.

The Group is the licensor

Such income (net of any incentives given to the lessees) is through licence agreements and is recognised on a straight line basis over the lease term.

2.11 Investments

Associates

Investments in associates are accounted for using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the net assets of the associate. The profit and loss account reflects the Group's share of the results of the operations of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit and loss account.

Others

Held-to-maturity

Investments with fixed maturity where management has both the intent and ability to hold to maturity are classified as held-to-maturity.

Available-for-sale

Investments which the management intends to hold for an indefinite period, but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

All investments are initially recognised at cost, being the fair value of the consideration given including transaction cost associated with the investment. After initial recognition, investments classified as available-for-sale are remeasured at fair values and held-to-maturity investments are measured at amortised cost using effective interest rate method.

For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to review for impairment at each balance sheet date.

Gains or losses on revaluation of available-for-sale investments are recognized in equity until the investment is sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income. Gains or losses on held-to-maturity investments are recognised in income when the investments are derecognised or impaired.

2.12 Long term loans and deposits

These are stated at cost less impairment, if any.

2.13 Stores, spares and loose tools

Stores, spares and loose tools are stated at cost which is determined by the moving average cost method except for those in transit which are valued at actual cost. Provision is made annually for slow moving and obsolete items.

2.14 Stock-in-trade

Raw materials and trading stock, except for those in transit, are valued at lower of moving average cost and net realisable value.

Work-in-process is valued at material cost, labour cost, together with appropriate production overheads.

Finished goods are valued at lower of cost comprising material cost, labour cost, together with appropriate production overheads and net realisable value.

Stocks in transit are valued at cost comprising invoice values plus other charges incurred thereon.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and the estimated costs that would necessarily be incurred for its sale.

2.15 Trade debts and other receivables

Trade debts originated by the Group are recognized and carried at original invoice amount less provision for impairment. Provision for impairment is based on the management's assessment of customers' outstandings and creditworthiness. Bad debts are written-off as and when identified.

Other receivables are carried at cost less provision for impairment.

2.16 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term investments with a maturity of three months or less from the date of acquisition net of short-term borrowings. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

2.17 Taxation

(a) Current

Provision for current taxation is based on taxability of certain income streams of the Group under final tax regime at the applicable tax rates and remaining income streams are chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any or 0.5% of turnover whichever is higher.

(b) Deferred

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2.18 Trade and other payables

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

2.19 Staff retirement benefits

Defined Contribution plan

Provident fund

The Group operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the fund by the Group and the employees in accordance with the rules of the scheme. The Group has no further obligation once the contributions have been paid. The contributions made by the Group are recognised as employee benefit expense when they are due.

Retirement fund

The Group operates a funded scheme for retirement benefits for all employees on the basis of defined contribution on attaining the retirement age with a minimum qualifying period of ten years which is managed by a Trust.

2.20 Compensated absences

Accrual is made for employees' compensated absences on the basis of accumulated leaves and the last drawn pay.

2.21 Provisions

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

2.22 Warranty obligations

The Group recognizes the estimated liability to repair or replace products under warranty at the balance sheet date.

2.23 Revenue recognition

- Sales are recorded on dispatch of goods to customers.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on Term Deposit Receipts are recognised on constant rate of return to maturity.
- Profit on bank deposits are recognised on accrual basis.
- Warranty and insurance claims are recognised when the claims in respect thereof are lodged.

2.24 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates and in case of forward contracts at the committed rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translation are included in income currently.

2.25 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished, that is, when the obligation specified in the contact is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to the profit and loss account.

2.26 Research and development expenditure

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Other development expenditure is recognised as an expense as incurred.

2.27 Transactions with related parties

Transactions with related parties are based on the policy that all transaction between the Group and the related parties are carried out at arm's length. These prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984.

2.28 Off-setting of financial assets and liabilities

A financial asset and a financial liability are off-set and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.29 Dividends and appropriation to reserves

Dividend and appropriation to reserves are recognised in the consolidated financial statements in the period in which these are approved.

2.30 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

3. PROPERTY, PLANT AND EQUIPMENT

	Note	2010	2009
		(Rupees in thousands)	
Operating fixed assets	3.1	**4,453,068**	4,705,476
Capital work-in-progress	3.4	**5,729**	17,033
		4,458,797	4,722,509

3.1 Statement of operating fixed assets

	COST					DEPRECIATION				
	As at July 1, 2009	Additions/ adjustments*	Disposals / adjustments*	As at June 30, 2010	Rate %	As at July 1, 2009	Depreciation/ adjustments* for the year	On disposals/ adjustments*	As at June 30, 2010	Written down value as at June 30, 2010
	Rupees in thousands					Rupees in thousands				
Owned:										
Land - Freehold	604,474	-	-	604,474	-	-	-		-	604,474
- Leasehold	756,260	-	-	756,260	1.69-3.33	52,261	16,161	-	68,422	687,838
Building on freehold land										
- Factory building	223.737	1,542	-	225,279	10	80,415	14,413	-	94,828	130,451
- Non factory building	977,239	4,879	-	982,118	5-10	122,082	21,839		143,921	838,197
Building on leasehold land										
- Non factory building	1,143,428	57,089	-	1,200,517	5	51,676	90,893	-	142,569	1,057,948
Railway siding	792	-	-	792	5	689	5	-	694	98
Plant and machinery	1,727,303	52,853 16,496 *	12,363	1,784,289	10-30	642,574	186,065 9,509	11,320	826,828	957,461
Furniture and fittings	61,435	2,447	3,577	60,305	15-20	23,348	7,644	2,272	28,720	31,585
Vehicles	83,991	11,749 12,886 *	20,398 -	88,228	20	50,849	11,909 5,954	13,603	55,109	33,119
Office and mills equipment	48,892	9,242 (724)	2,842	54,568	10-30	22,540	5,467 (338)	2,486	25,183	29,385
Computer equipment	127,358	13,440 724	2,698	138,824	33	87,311	24,606 338	2,500	109,755	29,069
** Jigs and fixtures	121,899	3,756	-	125,655	33	82,142	19,694	-	101,836	23,819
	5,876,808	156,997 29,382 *	41,878 -	6,021,309		1,215,887	398,696 15,463	32,181	1,597,865	4,423,444
Leased										
Vehicles	45,740	7,319	392 12,886 *	39,781	20	13,037	6,863 21	205 5,975	13,741	26,040
Plant and machinery	22,496	-	16,496 *	6,000	20	10,644	1,281	9,509 *	2,416	3,584
	68,236	7,319	392 29,382 *	45,781		23,681	8,144 21	205 15,484	16,157	29,624
2010	**5,945,044**	**164,316** **29,382 ***	**42,270** **29,382 ***	**6,067,090**		**1,239,568**	**406,840** **15,484**	**32,386** **15,484**	**1,614,022**	**4,453,068**

Additions include transfers from capital work in progress amounting to Rs. 19.674 million.

	COST					DEPRECIATION				
	As at July 1, 2008	**Additions/ adjustments***	**Disposals / adjustments***	**As at June 30, 2009**	**Rate %**	**As at July 1, 2008**	**Depreciation/ adjustments* for the year**	**On disposals/ adjustments***	**As at June 30, 2009**	**Written down value as at June 30, 2009**
	------------------ Rupees in thousands ------------------					----------------------------- Rupees in thousands ----------------------------				
Owned:										
Land - Freehold	608,014		3,540	604,474	-	-	-	-	-	604,474
- Leasehold	756,260		-	756,260	1.69-3.33	36,100	16,161	-	52,261	703,999
Building on freehold land										
- Factory building	207,856	15,881	-	223.737	10	66,112	14,303	-	80,415	143,322
- Non factory building	404,602	572,637 *	-	977,239	5-10	35,978	86,104	-	122,082	855,157
Building on leasehold land - Non factory building	1,135,301	8,127	-	1,143,428	5	50,603	1,073	-	51,676	1,091,752
Railway siding	792	-	-	792	5	684	5	-	689	103
Plant and machinery	1,398,329	330,132	1,158	1,727,303	10-30	482,537	161,008	971	642,574	1,084,729
Furniture and fittings	46,911	15,302	778	61,435	15-20	17,465	6,565	682	23,348	38,087
Vehicles	71,324	13,928 12,072 *	13,333 -	83,991	20	42,751	11,164 5,800*	8,866 -	50,849	33,142
Office and mills equipment	43,692	7,951	2,751	48,892	10-30	18,882	5,173	1,515	22,540	26,352
Computer equipment	115,272	13,856	1,770	127,358	33	63,048	25,889	1,626	87,311	40,047
** Jigs and fixtures	75,513	46,386	-	121,899	33	64,886	17,256	-	82,142	39,757
	4,863,866	451,563 584,709 *	23,330	5,876,808		879,046	344,701 5,800*	13,660	1,215,887	4,660,921
Leased										
Vehicles	50,004	11,996	4,188 12,072 *	45,740	20	12,829	7,024	1,016 5,800 *	13,037	32,703
Plant and machinery	22,496	-	-	22,496	20	7,681	2,963	-	10,644	11,852
	72,500	11,996	4,188 12,072 *	68,236		20,510	9,987	1,016 5,800 *	23,681	44,555
2009	**4,936,366**	**463,559** **584,709**	**27,518** **12,072 ***	**5,945,044**		**899,556**	**354,688** **5,800**	**14,676** **5,800 ***	**1,239,568**	**4,705,476**

**This includes moulds having book value of Rs. 15.166 million (2009: 23.836 million) in the possession of contractors.

Additions include transfers from capital work in progress amounting to Rs. 51.296 million.

3.2 The depreciation charge for the year has been allocated as follows:

	Note	2010	2009
		(Rupees in thousands)	
Cost of sales	**25**	**98,299**	96,550
Distribution costs	**26**	**1,272**	2,103
Administrative expenses	**27**	**307,269**	256,035
		406,840	354,688

3.3 The following property, plant and equipment were disposed off during the year:

Particulars		Cost	Accumu-lated depreci-ation	Book value	Sales proceeds	Gain/ (loss)	Mode of disposal	Particulars of buyers
		------------------------- Rupees in thousands ----------------------------						
Plant & Machinery								
Jigs & Spares		596	511	85	-	(85)	Negotiation	Mr. Noor Khan – Scrap Contractor
Wire Cutting & Stripping Machine		781	607	174	14	(160)	Negotiation	
Electric Power Wire Stripping & Kinking Machine		302	197	105	-	(105)	Negotiation	
Cloth Rewinding Machine		858	751	107	111	4	Negotiation	Mr. Ayub – Shershah Karachi
Inkjet Printers		540	418	122	127	5	Negotiation	Mr. Ayub – Shershah Karachi
Sanding & Cutting Machine		1,521	1,424	97	102	5	Negotiation	Mr. Ayub – Shershah Karachi
Press Plate		5,522	5,345	177	2,730	2,553	Negotiation	Mr. Ayub – Shershah Karachi
Item having book value upto Rs. 50,000		2,243	2,067	176	1,936	1,760	Various	
		12,363	**11,320**	**1,043**	**5,020**	**3,977**		
Vehicles								
Toyota MarkII	ACY-909	1,315	927	388	388	-	Sold under Company's car scheme	Mr. Kersi D. Kapadia, Employee
Daihatsu Cuore	APL-356	477	170	307	435	128	Sold under Company's car scheme	Mr. Zaki Khan - Employee
Toyota Corolla	AMA-617	900	454	446	639	193	Sold under Company's car scheme	Mr. Tariq Ansari - Employee
Toyota Corolla	APH-437	936	343	593	746	153	Sold under Company's car scheme	Mr. Zafar Kamal - Employee
Suzuki Cultus	AGQ-095	541	376	165	177	12	Sold under Company's car scheme	Mr. Jawwad Habib - Employee
Daihatsu Cuore	AKN-671	485	299	186	314	128	Sold under Company's car scheme	Mr. Ibrahim Habib - Employee
Toyota Corolla	LEE-7810	910	376	534	732	198	Sold under Company's car scheme	Mr. Mehdi Abbas - Employee
Daihatsu Cuore	AQA-329	528	173	355	459	104	Sold under Company's car scheme	Mr. Tasneem Alam - Employee
Daihatsu Cuore	AKG-806	485	296	189	388	199	Sold under Company's car scheme	Mr. Eijaz Raza - Employee
Daihatsu Coure	AGR-457	446	310	136	147	11	Sold under Company's car scheme	Mr. Mirza S Babar - Employee
Daihatsu Coure	AGR-527	423	294	129	140	11	Sold under Company's car scheme	Mr. Hussain Q Rizvi - Employee
Daihatsu Coure	AMA-734	454	237	217	317	100	Sold under Company's car scheme	Mr. Syed M Kamran - Employee
Toyota Corona	ACN-654	1,200	1,063	137	145	8	Sold under Company's car scheme	Mr. Kersi D. Kapadia - Employee
Honda City	ACZ-554	781	695	86	300	214	Sold under Company's car scheme	Mr. Wazir Ali - employee
Daihatsu Cuore	AND-814	392	205	187	214	27	Sold under Company's car scheme	Mr.Laique Ahmed Khan - Employee
Toyota Corolla	AEM-014	1,169	936	233	233	-	Sold under Company's car scheme	Mr. Sohail P. Ahmed - Chief Executive
Toyota Corolla	LZW 7301	1,388	1,203	185	458	273	Sold under Company's car scheme	Mr. Mian Raza Ahmed - Employee
Toyota Corolla	LED - 1262	941	455	486	636	150	Sold under Company's car scheme	Mr. Omer Tariq - Employee
Toyota Corolla	AKQ 394	940	752	188	468	280	Sold under Company's car scheme	Mr. Sadiq Husain, Employee
Toyota Corolla	LWB 8224	1,298	1,228	70	428	358	Sold under Company's car scheme	Mr. Hamid Hussain, Employee
Daihatsu Coure	AMH-958	76	-	76	312	236	Sold under Company's car scheme	Mr. Syed Asif Abdi - Employee
Toyota Corolla	AGQ-923	886	638	248	650	402	Negotiation	Mr. Usman Bhatti - Employee
Toyota Corolla	ANP-205	353	-	353	950	597	Negotiation	M/S Noble (Private) Limited, Karachi.
Daihatsu Coure	ARF- 659	535	142	393	520	127	Insurance Claim	M/S Habib Insurance Company Ltd - related party
Item having book value upto Rs. 50,000		2,931	2,236	695	2,097	1,402	Various	
		20,790	**13,808**	**6,982**	**12,293**	**5,311**		

Particulars	Cost	Accumu-lated depreci-ation	Book value	Sales proceeds	Gain/ (loss)	Mode of disposal	Particulars of buyers
	---------- Rupees in thousands ----------						
Office and mills equipment							
Items having book value upto Rs. 50,000	2,842	2,486	356	266	(90)	Various	
Computer equipment							
Computer	74	2	72	72	-	Trade in	PC Store, Karachi
Items having book value upto Rs. 50,000	2,624	2,498	126	487	361	Various	
	2,698	2,500	198	559	361		
Furniture and fixtures							
Items having book value upto Rs. 50,000	3,577	2,272	1,305	104	(1,201)	Various	
June 30, 2010	**42,270**	**32,386**	**9,884**	**18,242**	**8,358**		
June 30, 2009	27,518	14,676	12,842	15,282	2,440		

3.4 CAPITAL WORK-IN-PROGRESS

	2010	2009
	(Rupees in thousands)	
Civil works	**1,309**	415
Plant and machinery	**1,736**	-
Office and mills equipment	**473**	-
Furniture and fittings	**341**	-
Computer equipment and software license	**188**	-
Advance against:		
- moulds	**-**	1,625
- machinery installation and computer equipment	**1,682**	6,821
- purchase of software license	**-**	8,020
- purchase of vehicles	**-**	152
	5,729	17,033

4. INTANGIBLE ASSETS

	Cost as at July 1, 2009	Additions/ Others *	Cost as at June 30, 2010	Accumulated amortisation as at July 1, 2010	Amortisation for the year	Accumulated amortization as at June 30, 2010	Book value as at June 30, 2010	Amortisation rate %
	---------- (Rupees in thousands) ----------							
Software	62,574	4,332	66,906	55,662	7,300	62,962	3,944	50
Oracle License fee	315	-	315	315	-	315	-	33
2010	**62,889**	**4,332**	**67,221**	**55,977**	**7,300**	**63,277**	3,944	
2009	56,334	6,555	62,889	42,737	13,240	55,977	6,912	

4.1 The amortisation charge for the year has been allocated as follows:

	Note	2010	2009
		(Rupees in thousands)	
Distribution costs	26	**44**	58
Administrative expenses	27	**7,256**	13,182
		7,300	13,240

5. INVESTMENT PROPERTY

	Cost as at July 1, 2009	Additions	Cost as at June 30, 2010	Accumulated depreciation as at July 1, 2009	Depreciation for the year Note 28	Accumulated depreciation as at June 30, 2010	Book value As at June 30, 2010	Depreciation rate %
	(Rupees in thousands)							
Freehold land	891	-	891	-	-	-	891	-
Building	694	-	694	521	8	529	165	5
2010	**1,585**	**-**	**1,585**	**521**	**8**	**529**	**1,056**	
2009	1,585	-	1,585	512	9	521	1,064	

5.1 Investment property comprises of a godown held at Multan for long term and is let out. The fair value on the basis of a valuation carried out by an independent approved valuer, as at June 30, 2010 is Rs. 19.93 million (2009: Rs. 17.43 million) .The valuation was arrived at by reference to market values and realisable values, which are determined on the basis of market intelligence, indexation of the original cost, year of construction and present physical condition and location.

6. LONG-TERM INVESTMENTS

	Note	2010 (Rupees in thousands)		2009 (Rupees in thousands)
Held- to- maturity – at amortised cost				
Special Savings Certificate	**6.1**	**5,000**		5,000
Accrued profit thereon		**63**		63
		5,063		5,063
	Holding %		**Holding %**	
Investments in associates – stated as per equity method				
Quoted associates				
Indus Motor Company Limited	**6.22**		6.22	
- Opening balance		**588,577**		560,975
- Share of profit for the year – net of tax		**186,329**		60,083
- Share of unrealized loss on revaluation of foreign exchange contracts		**(504)**		(696)
- Dividend received during the year		**(73,350)**		(31,785)
		701,052		588,577
[Market value Rs. 1,283.038 million (2009: Rs. 526.751 million)]				
Dynea Pakistan Limited	**4.33**		4.33	
- Opening balance		**13,842**		11,748
- Share of profit / (loss) for the year – net of tax		**2,677**		2,094
- Dividend received during the year		**(613)**		-
		15,906		13,842
[Market value Rs. 9.967 million (2009: Rs. 8.333 million)]				
Habib Insurance Company Limited	**4.63**		4.63	
- Opening balance		**26,754**		47,628
- Share of profit for the year – net of tax		**9,757**		(18,814)
- Dividend received during the year		**(6,489)**		(2,060)
		30,022		26,754
[Market value Rs. 46.569 million (2009: Rs. 51.908 million)]				
Agriauto Industries Limited	**7.35**		7.35	
- Opening balance		**99,388**		86,318
- Share of profit for the year – net of tax		**29,560**		15,241
- Share of gain in change in fair value of available for sale investments		**-**		(408)
- Dividend received during the year		**(4,231)**		(1,763)
		124,717		99,388
[Market value Rs. 145.976 million (2009: Rs. 69.053 million)]				
Shabbir Tiles and Ceramics Limited	**2.61**		2.61	
- Opening balance		**31,457**		15,267
- Investment made during the year		**-**		14,540
- Share of (loss) / profit for the period – net of tax		**(1,228)**		1,650
		30,229		31,457
[Market value Rs. 20.189 million (2009: Rs. 14.368 million)]				
		901,926		760,018
Other investments				
Available-for-sale - at fair value				
Habib Sugar Mills Limited		**34,814**		30,826
GlaxoSmithKline Pakistan Limited		**89**		131
		34,903		30,957
		941,892		796,038

6.1 This represents special saving certificates which are repayable along with profit on six monthly basis at the rate of 13.2% (2009: 13.2%) per annum and will mature in May, 2012.

6.2 The summarised financial information of the associated companies where there is a significant influence, based on the un-audited financial statements for the twelve months period ended March 31, 2010 is as follows:

	2010			
	Total Assets	**Total Liabilities**	**Revenues**	**Profit/(loss) after tax**
	(Rupees in thousands)			
Quoted Associates				
Indus Motor Company Limited	28,604,782	17,336,308	53,116,765	2,994,999
Dynea Pakistan Limited	573,980	153,773	1,310,259	61,844
Habib Insurance Company Limited	1,686,994	835,549	361,087	210,718
Agriauto Industries Limited	2,024,036	335,198	3,488,546	402,401
Shabbir Tiles and Ceramics Limited	5,188,307	3,939,972	3,731,579	(47,092)

	2009			
	Total Assets	**Total Liabilities**	**Revenues**	**Profit/(loss) after tax**
	(Rupees in thousands)			
Quoted Associates				
Indus Motor Company Limited	19,809,275	10,348,708	36,886,023	965,745
Dynea Pakistan Limited	499,885	127,367	1,337,771	48,363
Habib Insurance Company Limited	1,430,006	744,790	390,209	(406,357)
Agriauto Industries Limited	1,610,200	266,163	1,980,459	207,490
Shabbir Tiles and Ceramics Limited	5,188,307	3,939,972	2,598,989	63,255

6.3 The financial year of all the associates is June 30 except for Habib Insurance Company Limited where the financial year end is December 31. As the financial statements of all the associates may not necessarily be available at each reporting period of the Group, therefore the Group uses the financial statements of the associates with a lag of three months for applying the equity method.

	Note	2010	2009
		(Rupees in thousands)	
6.4 Share in contingent liabilities of associated companies		**145,438**	121,830
Share in commitments of associated companies		**488,775**	411,488

7. LONG-TERM LOANS AND DEPOSITS

	Note	2010	2009
Loans to employees – unsecured, considered good			
Interest bearing		**114**	199
Interest free		**10**	46
Current portion	12	**(71)**	(139)
		53	106
Long-term deposits			
Security deposits		**2,829**	2,672
Utilities		**12,542**	11,410
Others		**187**	201
		15,558	14,283
		15,611	14,389

8. LONG-TERM PREPAYMENT

	Note	2010	2009
Rent	8.1	**99,602**	108,756
Current portion	12	**(9,163)**	(9,154)
		90,439	99,602

8.1 This represents prepaid rent for land obtained under operating lease agreement and is adjustable against yearly installments over a period of 20 – 33 years.

9. STORES, SPARES AND LOOSE TOOLS

	Note	2010	2009
		(Rupees in thousands)	
Stores in hand		**15,128**	12,048
Spares		**49,111**	52,673
Loose tools		**67**	93
		64,306	64,814

10. STOCK-IN-TRADE

	Note	2010	2009
Raw material			
In hand	**10.1**	**1,500,919**	1,405,929
In transit		**326,184**	158,378
		1,827,103	1,564,307
Work-in-process		**115,950**	123,437
Finished goods	**10.2**	**1,186,924**	1,076,410
Provision for obsolescence and shrinkage		**(108,430)**	(82,149)
		1,078,494	994,261
Trading stock		**-**	10,045
		3,021,547	2,692,050

10.1 Raw materials amounting to Rs. 4.657 million (2009: Rs. 11.307 million) are held with the contractors.

10.2 This includes items amounting to Rs. 16.10 million (2009: Rs. 28.035 million) carried at net realisable value.

11. TRADE DEBTS – unsecured

	Note	2010	2009
		(Rupees in thousands)	
Considered good	**11.1**	**951,945**	403,077
Considered doubtful		**9,607**	6,204
Provision for impairment	**11.3**	**(9,607)**	(6,204)
		-	-
		951,945	403,077

11.1 This includes amount due from the following related parties:

	2010	2009
- Indus Motor Company Limited	**47,583**	41,299
- Dynea Pakistan Limited	**85**	3,061
- Shabbir Tiles and Ceramics Limited	**12,607**	1,722
	60,275	46,082

11.2 The ageing of trade debts at June 30 is as follows

	2010	2009
Neither past due nor impaired	**363,760**	310,850
Past due but not impaired		
- 31 to 60 days	**368,835**	70,142
- over 61 days	**219,350**	22,085
	951,945	403,077

	Note	2010	2009
		(Rupees in thousands)	

11.3 Reconciliation of provision for impairment of trade debts

	Note	2010	2009
Opening provision		**6,204**	7,047
Charge for the year	**26**	**4,027**	561
Reversal for the year		**-**	(1,404)
Bad debts written off		**(624)**	-
Balance at the end of the year		**9,607**	6,204

12. LOANS,ADVANCES, DESPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2010	2009
Considered good – unsecured			
Loans			
Current portion of long-term loans to employees	**7**	**71**	139
Advances			
Suppliers		**149,922**	28,800
Employees		**1,923**	3,865
		151,845	32,665
Deposits			
Tender / Performance guarantee		**39,299**	45,213
Margin against letter of credit		**250**	282
Lease		**230**	732
Others		**6,423**	4,105
		46,202	50,332
Short-term prepayments			
Current portion of long-term prepayment	**8**	**9,163**	9,154
Rent		**5,700**	1,921
Insurance		**16,391**	13,098
Others		**6,693**	10,111
		37,947	34,284
Other receivables	**12.1**	**91,787**	67,247
		327,852	184,667

12.1 Other receivables

	Note	2010	2009
Duty drawback		**6,817**	4,499
Worker's Profit Participation Fund	**12.2**	**1,087**	307
Others	**12.3**	**83,883**	62,441
		91,787	67,247

12.2 Workers' profit participation fund

	Note	2010	2009
Balance at the beginning of the year		**307**	9,367
Add: Allocation for the current year		**(108,944)**	(52,893)
		(108,637)	(43,526)
Paid during the year		**109,724**	43,833
		1,087	307

	Note	2010	2009
		(Rupees in thousands)	
12.3 This includes receivable from the following related parties:			
Indus Motor Company Limited		**2,118**	29
Agriauto Industries Limited		**9**	134
Habib Insurance Company Limited		**18**	19,848
Dynea Pakistan Limited		**15**	-
Shabbir Tiles and Ceramics Limited		**123**	393
		2,283	20,404

13. SHORT-TERM INVESTMENTS

	Note	2010	2009
Held- to- maturity – at amoritsed cost			
Certificates of Musharika		**5,000**	9,000
Accrued profit thereon		**273**	148
	13.1	**5,273**	9,148
Tern Deposit Receipts		**20,654**	15,601
Accrued profit thereon		**328**	589
	13.2	**20,982**	16,190
		26,255	25,338

13.1 Represents six-monthly Certificates of Musharika carrying expected profit rate of 12% (2009: 11.50%) per annum with maturities in July 2010.

13.2 Represents one year Term Deposit Receipts of Habib Metropolitan Bank Limited, a related party carrying expected profit rate of 11.75% to 12.5% (2009: 10.25%) per annum and have maturity upto November 2010 and Term Deposit Receipts with other banks carrying expected profit rate of 10.50 % (2009: 13%) per annum and have maturity upto August 2010 and is held by a bank as security against a letter of guarantee issued on behalf of the Group.

14. INCOME TAX REFUNDABLE

	2010	2009
	(Rupees in thousands)	
On account of Group Relief	**459,562**	261,000

The Company in its tax return for the tax years 2008 and 2009 claimed Group Relief under section 59B of the Income Tax Ordinance, 2001 (the Ordinance) by acquiring tax losses of its subsidiary company – Makro-Habib Pakistan Limited (MHPL) aggregating to Rs. 1,312 million (2008: Rs. 745 million), equivalent to a tax value of Rs. 459.56 million (2009: Rs. 261 million).

The assessment for the tax year 2008 was finalized and Group Relief amounting to Rs. 261 million was not allowed by the Taxation Officer. The Company preferred an appeal against this assessment with the Commissioner of Income Tax (Appeal), which is pending for hearing. In order to remove the reasons for disallowances, the Company paid the tax losses to MHPL and also obtained the designation from SECP as a Company entitled for Group Relief during the year.

The Company in its tax return for 2009 claimed Group Relief equivalent to tax value of Rs.198.577 million.

The Company is hopeful that the issue of Group Relief will be decided in its favour. In the event Group Relief is ultimately disallowed, MHPL will refund to the Company an amount of Rs. 459.56 million (2009: Rs: 261 million).

15. CASH AND BANK BALANCES

	Note	2010	2009
		(Rupees in thousands)	
In hand		**29,459**	46,792
With banks in:			
- current accounts		**13,609**	26,125
- call deposits accounts	**15.1**	**734,643**	510,112
- savings accounts	**15.2**	**42,190**	15,612
		790,442	551,849
		819,901	598,641

15.1 This represents deposits with Habib Metropolitan Bank Limited, a related party, and carries markup at the rate of 8% to 10% (2009: 8.75% to 10%) per annum.

15.2 These carry markup at the rate of 5% to 9% (2009: 5% to12%) per annum.

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		2010	2009
Number of Ordinary shares of Rs. 5/- each			(Rupees in thousands)	
5,149,850	5,149,850	Fully paid in cash	**25,750**	25,750
		Issued as fully paid bonus shares		
26,239,853	14,060,033	Opening balance	**131,199**	70,300
8,525,874	12,179,820	Issued during the year	**42,630**	60,899
34,765,727	26,239,853	Closing balance	**173,829**	131,199
11,239,669	11,239,669	Shares issued under the Scheme of Arrangement for Amalgamation	**56,198**	56,198
51,155,246	42,629,372		**255,777**	213,147

16.1 Habib Insurance Company Limited, a related party, holds 1,444,956 (2009: 1,204,130) ordinary shares of Rs. 5/- each.

17. RESERVES

	2010	2009
	(Rupees in thousands)	
Capital Reserves		
Reserve arising on merger of former Pakistan Jute and Synthetics Limited and former Thal Jute Mills Limited	**13,240**	13,240
Premium on issue of share capital	**12,225**	12,225
Reserve arising on merger of former Pakistan Paper Sack Corporation Limited and former Khyber Papers (Private) Limited	**42,464**	42,464
	67,929	67,929
Gain on changes in fair value of available for sale investments – net	**33,665**	29,719
Revenue Reserves		
General reserve	**4,004,874**	3,431,874
Un appropriated profit	**1,842,693**	1,341,653
	5,847,567	4,773,527
Net loss on cash flow hedge	**(1,280)**	(776)
	5,947,881	4,870,399

		Note	2010	2009
			(Rupees in thousands)	
18.	**LONG-TERM FINANCE – SECURED**			
	Habib Metropolitan Bank Limited – a related party	**18.1**	**247,500**	337,500
	Habib Bank Limited	**18.2**	**1,250,000**	750,000
	Less: Current maturity shown under current liabilities		**(255,625)**	136,875
			1,241,875	950,625

18.1 This represents long-term finance repayable in 20 equal quarterly installments of Rs. 22.50 million effective from July 26, 2008. This loan carries a mark-up at the rate of 3 months' KIBOR + 0.50%, repayable by April 25, 2013.

This facility is secured against pledge of shares of associate quoted companies having a market value Rs. 432 million (2009: 670 million).

18.2 This represent term loan facilities of Rs. 750 million and Rs. 500 million for 5 years repayable in 16 quarterly installments effective from June 2010 and September 2011 respectively. These loans carry mark-ups ranging from 3 months KIBOR + 1.20% to 3 months KIBOR + 1.22%.

These facilities are secured by an equitable mortgage charge on property and hypothecation charge on plant and machinery, stock-in-trade and receivable.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	June 30, 2010		June 30, 2009	
	Minimum lease payments	Present value of minimum Lease payments	Minimum Lease Payments	Present value of minimum Lease Payments
	(Rupees in thousands)			
Not later than one year	**9,412**	**8,098**	15,386	13,354
Later than one year but not later than five years	**5,146**	**4,781**	8,736	7,919
Total minimum lease payments	**14,558**	**12,879**	24,122	21,273
Finance charges allocated to future periods	**1,679**	**-**	2,849	-
Present value of minimum lease payments	**12,879**	**12,879**	21,273	21,273
Current portion shown under current liabilities	**8,098**	**8,098**	(13,354)	(13,354)
	4,781	**4,781**	7,919	7,919

19.1 This represents finance lease entered into with a modaraba for vehicles, plant and machinery and computer equipment. The balance of the liability is payable by June 2013 in monthly installments. The above lease contracts contain a bargain purchase option. Monthly lease payments include finance charges ranging from six months' KIBOR + 2.75% (2009: KIBOR + 2.75% to 3%) per annum, which is used as a discounting factor. There are no financial restrictions in the lease agreements.

20. DEFERRED TAXATION

Deferred tax comprises temporary differences relating to:

	2010	2009
	(Rupees in thousands)	
Accelerated tax depreciation	**472,886**	634,520
Assets subject to finance lease	**(4,507)**	(7,343)
Provisions	**(10,379)**	(12,318)
Unused tax losses	**(540,692)**	(1,018,229)
	(82,692)	(403,370)

21. TRADE AND OTHER PAYABLES

	Note	2010	2009
		(Rupees in thousands)	
Creditors	21.1	**1,015,094**	844,167
Bills payable		**-**	50,523
Accrued liabilities	21.2	**309,790**	308,595
Custom duty payable		**57,877**	31,226
Infrastructure cess payable	23.1.2	**177,407**	125,416
Unclaimed salaries		**4,751**	5,657
Warranty obligations	21.3	**67,369**	58,374
Royalty		**55,832**	56,283
Workers' welfare fund		**42,103**	20,100
Security deposits		**3,065**	3,993
Unclaimed dividend and unpaid dividend		**13,440**	11,804
Deferred income		**67,951**	92,918
Consideration payable against acquisition of shares of Makro-Habib Pakistan Limited	21.4	**429,821**	-
Other liabilities	21.5	**72,922**	60,037
		2,317,422	1,669,093

21.1 This includes Rs. 15.528 million (2009: 17.555 million) payable to Dynea Pakistan Limited and Rs. 0.044 million to Shabbir Tiles and Ceramics Limited, both related parties.

21.2 This includes Rs. 4.792 million (2009: 6.092 million) payable to Habib Insurance Company Limited, a related party.

21.3 Warranty obligations

	Note	2010	2009
		(Rupees in thousands)	
Balance at the beginning of the year		**58,374**	90,394
Provision for the year	26	**49,749**	31,450
		108,123	121,844
Reversal for the year		**(31,378)**	(59,016)
		76,745	62,828
Claims paid during the year		**(9,376)**	(4,454)
Balance at the end of the year		**67,369**	58,374

21.4 This includes amount payable to Agriauto Industries Limited – related party of Rs.49.253 million.

21.5 Other liabilities

	2010	2009
	(Rupees in thousands)	
Staff salaries	**167**	196
Tax deducted at source	**2,013**	5,870
Security deposits	**19,451**	18,629
Advances from customers	**9,778**	4,679
Payable to provident fund	**3,036**	5,821
Payable to retirement benefit fund	**3,089**	3,021
Others	**35,388**	21,821
	72,922	60,037

	Note	2010	2009
		(Rupees in thousands)	
22. SHORT-TERM BORROWINGS – secured			
Short-term running finance – Banks			
Related party		**45,773**	49,774
Others		**655,530**	537,623
	22.1	**701,303**	587,397
Export re-finance – Banks			
Related party		**192,100**	135,000
Others		**39,000**	23,000
	22.2	**231,100**	158,000
		932,403	745,397

22.1 The facilities for running finance available from various banks amount to Rs. 2,534 million (2009: Rs. 2,275 million). The rates of mark-up ranges from one month to three months' KIBOR plus rates varying from 1 % to 2.5 % (2009: 1 % to 2.5 %) per annum. This includes Rs. 289 million (2009: Rs. 295 million) available from Habib Metropolitan Bank Limited, a related party. The purchase prices are payable on various dates with a renewable option. The facilities are secured by way of pari-passu charge against hypothecation of the Group's stock-in-trade, book debts and lien on import and export documents/accepted bills of exchange.

22.2 These export refinance facility (ERF) has been availed from Habib Metrololitan Bank Limited, a related party and Habib Bank Limited under the scheme of State Bank of Pakistan. The ERF is available at mark up rate of 7.5% to 9% (2009: 7.5%) and the facility is secured against joint hypothecation of stock and receivables and lien on export documents.

	2010	2009
	(Rupees in thousands)	
23. CONTINGENCIES AND COMMITMENTS		
23.1 Contingencies		
23.1.1 Letter of guarantees issued by banks on behalf of the Group.	**46,017**	20,846

23.1.2 The Divisional Bench of the Honorable High Court of Sindh through its order dated September 17, 2008 has declared the levy of the infrastructure cess/fee by the excise and the taxation department, government of Sindh upto December 27, 2006 as ultra vires of the Constitution. The levy subsequent to December 27, 2006 has been declared as valid and constitutional.

The Company has filed an appeal before the Honorable Supreme Court of Pakistan against the above order of the Honorable High Court of Sindh whereby the Honorable High Court of Sindh had declared infrastructure cess/fee subsequent to December 27, 2006 as valid and constitutional. The Honorable Supreme Court of Pakistan has accepted the petition and granted stay order against the payment of levy subject to the submission of bank guarantees.

The Company has decided not to reverse the liability pertaining to the periods prior to December 27, 2006 as the excise department, Government of Sindh has also filed an appeal before the Honorable Supreme Court of Pakistan against the above order of the Honorable High Court of Sindh. Therefore, the Company continues to provide for Infrastructure cess/fee liability in the financial statements until the matter is finally decided by the Supreme Court of Pakistan.

		2010	2009
		(Rupees in thousands)	
	There is an un-utilised portion of the bank guarantee issued in favour of excise and taxation department, Government of Sindh against the levy of infrastructure cess on the imported goods. The utilized portion of guarantee amounting to Rs.177.407 million (2009: Rs. 125.416 million) is shown under infrastructure cess payable in note 22 to the financial statements.	**2,965**	8,956
23.1.3	Khyber Papers (Private) Limited (KPPL) merged in to the Holding Company with effect from July 1, 2005		
	Pursuant to the decision of the Honorable Supreme Court of Pakistan, remanding back the cases of former Khyber Papers (Private) Limited (KPPL) to the concerned authority for re-examining the eligibility of KPPL to avail the concessions available under the Protection of Economic Reforms Act 1992 (the Act).		
	The Holding Company has pleaded that the minimum tax under section 80D of the repealed Income Tax Ordinance, 1979 is not chargeable in its case under the Act. Thereafter, the Commissioner Inland Revenue (Appeals) (CIRA) vide appellate order dated October 30, 2008 has concluded that the Holding Company did not fulfill the conditions of the restated SRO therefore the minimum tax under section 80D be charged for the assessment years 1992-93 to 200-01, excluding assessment year 1998-99.		
	The Holding Company has filed appeals against the order of the CIRA for all the above mentioned years before the Income Tax Appellate Tribunal and the management expects a favourable outcome, based on the opinion of its tax advisor and companies with similar status.	**12,681**	12,681

23.1.4 Makro-Habib Pakistan Limited (MHPL) – a wholly owned subsidiary of the Holding Company:

The Saddar store in Karachi of MHPL operates under a sub-lease granted by the Army Welfare Trust (AWT) in favour of MHPL dated July 31, 2006.

The Supreme Court of Pakistan, in its judgment released on December 18, 2009, cancelled the 90 years lease granted by the Government of Pakistan (GoP) to the Army Welfare Trust (AWT) dated December 19, 2002 on the basis that it was granted without lawful authority. As a consequence, the Supreme Court of Pakistan also cancelled the aforementioned sub-lease granted in favour of MHPL by AWT. MHPL was allowed three months from the date of the judgment to remove its structures and installations from the subject land and hand-over the subject land's vacant possession to City District Government Karachi (CDGK).

MHPL filed a review petition on January 18, 2010 against the judgment of the Supreme Court of Pakistan and, GoP and AWT also filed review petitions on January 22, 2010. On March 17, 2010 the Supreme Court of Pakistan issued a status quo order until the next hearing date.

		2010	2009
		(Rupees in thousands)	
	In view of the above circumstances, no provision for any loss has been made in these consolidated financial statements in respect of the above referred judgment of the Supreme Court.	-	-
23.1.5	Post dated cheques have been issued to the Collector of Customs in respect of differential duty between commercial and concessional rate of duty, duty and tax remission on exports and safe transport requirement under various SROs.	**94,721**	55,516

23.2 Commitments

		2010	2009
23.2.1	Letters of credit outstanding for raw material and spares	**716,049**	377,360

23.2.2 The company has obtained three pieces for land for its stores under operating lease agreements of 30 to 59 years. The leases have varying terms, escalation clauses, contingent rent arrangements and renewal rights. The amounts of future payments under operating leases and the period in which these payments will become due are as follows:

	2010	2009
	(Rupees in thousands)	
Not later than one year	**60,870**	59,848
Later than one year but not later than five years	**254,543**	250,029
Later than five years	**3,001,003**	3,066,386
	3,316,416	3,376,263

24. TURNOVER – net

	2010	2009
Export sales	**625,344**	484,888
Local sales	**23,761,025**	17,952,494
	24,386,369	18,437,382
Less: Sales tax	**(2,346,572)**	(1,776,862)
Federal excise duty	**(83,276)**	(56,530)
	21,956,521	16,603,990
Service income	**84,266**	65,962
	22,040,787	16,669,952
Add: Duty drawback	**7,537**	5,426
Less: Expenses on export sales		
Freight outward	**27,576**	27,262
Commission and brokerage	**3,090**	2,809
	30,666	30,071
Less: Expenses on local sales		
Freight outward	**39,430**	40,300
Sales discount	**12,897**	5,543
Sales return	**252,624**	104,034
Commission and brokerage	**205**	807
Others	**-**	310
	305,156	150,994
	21,712,502	16,494,313

25. COST OF SALES

	Note	2010	2009
		(Rupees in thousands)	
Raw material consumed	25.1	**7,617,814**	5,707,665
Salaries , wages and benefits		**611,784**	638,147
Stores and spares consumed		**108,305**	105,001
Repairs and maintenance		**62,693**	61,667
Power and fuel		**164,450**	153,541
Rent, rates and taxes		**2,805**	2,191
Vehicle running and maintenance		**7,893**	7,377
Insurance		**8,343**	10,203
Communication		**2,721**	2,650
Travelling and conveyance		**4,667**	5,636
Entertainment		**348**	465
Printing and stationery		**2,298**	2,349
Legal and professional		**636**	513
Computer accessories		**9,894**	3,071
Royalty		**90,944**	44,524
Depreciation	4.2	**98,299**	96,550
Research and development		**4,765**	2,913
Technical assistance fees		**-**	18,235
Others		**10,851**	7,493
		8,809,510	6,870,191
Work-in-process			
Opening		**123,437**	108,369
Closing		**(115,950)**	(123,437)
		7,487	(15,068)
Cost of goods manufactured		**8,816,997**	6,855,123
Finished goods			
Opening		**1,076,410**	980,136
Purchases		**9,762,870**	7,701,857
Stock destroyed		**-**	(18,143)
Provision for obsolescence and shrinkage		**26,281**	3,306
Closing		**(1,186,924)**	(1,076,410)
		9,678,637	7,590,746
		18,495,634	14,445,869

25.1 Raw material consumed

	2010	2009
Opening stock	**1,405,929**	1,461,813
Purchases	**7,712,804**	5,651,781
Closing stock	**(1,500,919)**	(1,405,929)
	7,617,814	5,707,665

26. DISTRIBUTION COSTS

	Note	2010 (Rupees in thousands)	2009 (Rupees in thousands)
Salaries and benefits		**49,008**	47,215
Vehicle running expense		**4,700**	3,430
Utilities		**660**	508
Insurance		**2,253**	2,179
Rent, rates and taxes		**12,879**	16,304
Communication		**2,161**	1,719
Advertisement and publicity		**66,394**	77,797
Travelling and conveyance		**7,335**	3,961
Entertainment		**486**	409
Printing and stationery		**579**	647
Legal and professional		**1,627**	986
Computer accessories		**888**	242
Research and development		**86**	146
Depreciation	**3.2**	**1,272**	2,103
Amortization	**4.1**	**44**	58
Provision for impairment of debts	**11.3**	**4,027**	561
Repairs and maintenance		**1,418**	613
Export expenses		**10,440**	7,131
Provision for warranty claims	**21.3**	**49,749**	31,450
Others		**929**	2,696
		216,935	200,155

27. ADMINSTRATIVE EXPENSES

	Note	2010	2009
Salaries and benefits		**643,311**	647,408
Vehicle running expense		**29,325**	29,378
Utilities		**214,760**	187,372
Insurance		**20,423**	16,440
Rent, rates and taxes		**78,014**	80,839
Communication		**17,905**	17,425
Advertisement and publicity		**1,951**	295
Travelling and conveyance		**37,770**	34,699
Entertainment		**6,855**	7,124
Printing and stationery		**16,414**	16,039
Legal and professional		**35,773**	19,521
Auditors' remuneration	**27.1**	**5,201**	4,317
Computer accessories		**34,920**	28,178
Depreciation	**3.2**	**307,269**	256,035
Amortisation	**4.1**	**7,256**	13,182
Depreciation on investment property	**5**	**8**	9
Repairs and maintenance		**44,758**	29,522
Lease rentals		**129**	1,286
Charity and donations	**27.2**	**18,679**	11,434
Subscription		**3,725**	1,808
Others		**29,587**	41,793
		1,554,033	1,444,104

27.1 Auditors' remuneration

	2010	2009
Audit fee	**2,045**	1,700
Half-yearly review	**525**	475
Taxation services	**2,141**	1,566
Other certifications	**150**	190
Out of pocket expenses	**340**	386
	5,201	4,317

27.2 Charity and donations

Charity and donations include the following donees in whom directors or their spouses are interested:

Name of donee	Address of donee	Name of directors/spouse	Interest in donee	2010 (Rupees in thousands)	2009 (Rupees in thousands)
Mohamedali Habib Welfare Trust	2nd Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharea Faisal, Karachi.	Mr. Rafiq M. Habib Mr. Ali S. Habib	Trustee Trustee	**6,764**	335
"					
Habib Education Trust	4th floor, United Bank building, I.I. Chundrigar, Road, Karachi	Mr. Ali S. Habib Mr. Mohamedali R. Habib	Trustee Trustee	**6,000**	6,050
"					
Anjuman -e- Behbood-Samat -e- Itefal	ABSA School 26-C National Highway Korangi, Road, Karachi.	Mrs. Rafiq M. Habib	Vice President	**63**	36
Al Sayyeda Benevolent Trust	United Bank Building, I.I. Chundrigar Road, Karachi	Mr. Rafiq M. Habib	Trustee	**2,500**	-

28. OTHER OPERATING INCOME

	Note	2010 (Rupees in thousands)	2009 (Rupees in thousands)
Income from financial assets			
Dividend income		**2,096**	1,131
Profit on call deposit accounts and short term investments		**49,375**	20,489
Reversal of provision for impairment of debts		**-**	1,404
Liabilities/provision no longer payable/required written back		**34,496**	59,981
Exchange gain – net		**983**	-
		86,950	85,065
Income/(loss) from non-financial assets			
Gain on disposal of property, plant and equipment	3.3	**8,358**	2,440
Rental income from investment property		**1,026**	925
Sale of scrap		**19,086**	4,377
Claim from suppliers		**5,494**	4,929
License fee, signage and others		**375,379**	252,186
Obsolete store and spares written off		**-**	(377)
Miscellaneous income		**16,770**	68,115
		426,113	332,595
		513,063	415,600

29. FINANCE COSTS

	2010	2009
Mark-up / interest on:		
Long term finance		
- Related party	**38,899**	59,309
- Others	**106,857**	73,597
Short-term borrowings		
- Related party	**17,449**	25,062
- Others	**64,229**	122,520
Finance lease	**2,823**	4,482
Bank charges and commission	**5,558**	4,896
	235,815	289,866

	Note	2010	2009
		(Rupees in thousands)	

30. OTHER CHARGES

Workers' profits participation fund		**108,944**	52,893
Workers' welfare fund		**41,777**	16,302
Exchange loss – net		**-**	16,977
		150,721	86,172

31. TAXATION

Current		**695,951**	317,325
Prior		**266,550**	11,335
Deferred		**(147,557)**	(708,204)
	31.1	**814,944**	(379,544)

31.1 Relationship between income tax expense and accounting profit

Profit before tax	**1,572,427**	461,973
Tax at the applicable tax rate of 20% to 35% (2009: 20% to 35%)	**698,367**	348,927
Tax effect of expenses that are inadmissible in determining taxable income	**80,737**	61,870
Tax effect of expenses that are admissible but not included in determining accounting profit	**(37,040)**	(54,530)
Tax effect of lower tax rates	**(42,865)**	(37,868)
Tax effect due to application of final tax regime	**(3,248)**	(1,074)
Tax effect of prior year	**266,550**	11,335
Tax effect temporary difference	**(147,557)**	(708,204)
	814,944	(379,544)

32. BASIC AND DILUTED EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the holding company, which is based on:

	2010	**2009**
	(Rupees in thousands)	
Profit after taxation attributable to the shareholders of the holding company	**1,234,084**	806,623
	Number of shares In thousands	
		(Restated)
Number of ordinary shares of Rs. 5/- each in issue	**51,155**	51,155
	Rupees	
		(Restated)
Basic and diluted earnings per share	**24.12**	15.77

33. CASH GENERATED FROM OPERATIONS

	Note	2010	2009
		(Rupees in thousands)	
Profit before taxation		**1,799,522**	522,227
Adjustments for non-cash charges and other items:			
Depreciation		**414,148**	366,907
Share in profit of associates - after taxation		**(227,095)**	(60,254)
Amortization of long term prepayments		**5,563**	(5,548)
Finance costs		**235,782**	289,817
Profit earned		**(49,375)**	(20,489)
Liabilities/provision no longer payable/required written back		**(34,496)**	(59,381)
Dividend income		**(2,096)**	(1,131)
Provision / (Reversal) for impairment of debts		**4,027**	(843)
Provision for retirement benefits		**1,976**	2,514
Gain on disposal of property, plant and equipment		**(8,358)**	(2,440)
		340,076	509,152
		2,139,598	1,031,379
(Increase) / decrease in current assets			
Stores, spares and loose tools		**508**	5,244
Stock-in-trade		**(329,497)**	58,961
Trade debts		**(552,895)**	252,200
Loans, advances, deposits, prepayments and other receivables		**(112,974)**	93,724
Deferred income		**(24,967)**	25,608
Increase / (decrease) in current liabilities			
Trade and other payables		**725,863**	38,455
Sales tax payable		**(9,892)**	39,292
		(303,854)	513,484
		1,835,744	1,544,863

34. CASH AND CASH EQUIVALENTS

	Note	2010	2009
Cash and bank balances	**15**	**819,901**	598,641
Short term investments		**5,000**	9,000
Running finance	**22**	**(701,303)**	(587,397)
		123,598	20,244

35. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group, comprises associates, companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

	2010	2009
	(Rupees in thousands)	
Sales	**5,597,343**	3,571,872
Insurance premium	**42,292**	28,314
Sale/purchase of assets	**-**	119
Purchase of goods	**86,961**	88,673
Insurance claim received	**7,010**	23,117
Mark-up and bank charges paid	**60,301**	90,710
Profit received	**40,848**	7,420
License fee, signage and others	**18,562**	21,425
Contribution to provident fund	**33,378**	25,418
Contribution to retirement benefit fund	**1,655**	2,514

There are no transactions with key management personnel other than under the terms of employment, as disclosed in note 36.

The related party status of outstanding receivable/payable as at June 30, 2010 is disclosed in the respective notes to the consolidated financial statements.

36. REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVES

	June 2010			June 2009		
	Chief executives	Directors	Executives	Chief executives	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	**19,764**	**14,914**	**218,928**	21,603	12,447	169,675
Group's contribution to provident fund	**1,443**	**76**	**10,181**	584	489	6,560
Group's contribution to retirement fund	**-**	**-**	**1,326**	-	3,208	914
Other perquisites	**4,812**	**9,561**	**38,392**	33,631	3,940	69,385
	26,019	**24,551**	**268,827**	55,818	20,084	246,534
Number of persons	**4**	**5**	**108**	5	7	107

36.1 The Chief executives, directors and certain executives of the Group are provided with free use of cars.

36.2 Three directors (2009: Three) have been paid fees of Rs. 60,000 (2009: Rs. 65,000) for attending board meetings.

36.3 The Chief Executive of Pakistan Industrial Aids (Private) Limited is not being paid any remuneration for holding the office.

37. PLANT CAPACITY AND ACTUAL PRODUCTION

	Note	Engineering Operation		Jute Operation		Papersack Operation	
		Units 2010	Units 2009	Metric Tons 2010	Metric Tons 2009	Nos (000) 2010	Nos (000) 2009
Annual Capacity							
Jute	37.1	-	-	33,800	33,800	-	-
Auto air conditioners		90,000	90,000	-	-	-	-
Paper bags		-	-	-	-	140,000	140,000
Actual Production							
Jute	37.1	-	-	29,353	35,197	-	-
Auto air conditioners		60,754	43,770	-	-	-	-
Wire harness	37.2	64,957	43,203	-	-	-	-
Paper bags		-	-	-	-	98,019	79,181
Reason for shortfall / excess		Low demand	Low demand	-	-	Frequent product mix change	Frequent product mix change

37.1 The production during the year was lower than capacity as management curtailed production of third shift during quarter three because of scarcity of raw jute in the market. The production based on number of days worked in financial year 2010 was 302 (2008: 319)

37.2 The capacity of wire harness could not be determined as it is dependent on product mix.

37.3 The production capacity of Laminate Operations cannot be determined as this depends on the relative proportion of various types of products.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

38.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group is exposed to credit risk on trade debts, short term investments and bank balances. The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	Carrying Values	
	2010	**2009**
	------- (in thousands) ----	
38.1.1 Trade debts		
Customers with no defaults in the past one year	**951,945**	403,077

38.1.2 Short-term investments and bank balances

Out of the total bank balance of Rs. 790.442 million (2009: Rs.551.849 million) placed with banks, amounts aggregating Rs. 787.842 million (2009: Rs. 550.540 million) and short term investments of Rs: 25.654 million (2009: Rs.24.601 million) have been placed with banks having short term credit rating of A1+.

38.2 Liquidity Risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The Group applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarises the maturity profile of the Group's financial liabilities at the following reporting dates:

Year ended 30 June 2010	**On demand**	**Less Than 3 months**	**3 to 12 months**	**1 to 5 Years**	**Total**
	-------------------------------	-------------------------------	(Rupees In '000)	-------------------------------	
Long-term financing – secured	-	-	255,625	1,241,875	1,497,500
Short term borrowing	701,303	-	231,100	-	932,403
Trade and other payables	2,038,022	-	-	-	2,038,022
Liabilities against assets subject to finance lease	-	-	8,098	4,781	12,879
Accrued markup	40,588	-	-	-	40,588
Total	**2,779,913**	**-**	**494,823**	**1,246,656**	**4,521,392**

Year ended 30 June 2009	**On demand**	**Less Than 3 months**	**3 to 12 months**	**1 to 5 Years**	**Total**
	-------------------------------	-------------------------------	(Rupees In '000)	-------------------------------	
Long-term financing – secured	-	-	136,875	950,625	1,087,500
Short term borrowing	587,397	11,250	146,750	-	745,397
Trade and other payables	1,486,481	-		-	1,486,481
Liabilities against assets subject to finance lease	-	-	13,354	7,919	21,273
Accrued markup	35,156	-		-	35,156
Total	2,109,034	11,250	296,979	958,544	3,375,807

38.3 Foreign Currency Risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Group's exposure to foreign currency risk is as follows:

	2010	2009
Trade receivable (US Dollars)	**356,684**	113,856
Trade receivable (Euros)	**27,525**	25,020
Trade and other payables (US Dollars)	**707,170**	879,397
Total (Euros)	**27,525**	25,020
Total (US Dollars)	**350,486**	765,541

The following significant exchange rates have been applied at the reporting dates:

	2010	2009
US Dollars	**85.70**	81.3
Euros	**110.38**	114.82

The foreign currency exposure is partly covered as the majority of the Group's billing is determined in dollars which is converted into rupees at the exchange rate prevailing at the transaction date. The Group has assessed that hedging its foreign currency borrowings will be more expensive than assuming the risk itself.

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar and Euros exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Change in US dollar & Euros rate (%)	Effect on profit or (loss) before tax	Effect on equity
		------- (Rs. in thousands) ------	
30 June 2010	**+10**	**(2,700)**	**(1,755)**
	-10	**2,700**	**1,755**
30 June 2009	+10	(6,053)	(3,934)
	-10	6,053	3,934

38.4 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short term borrowings and liabilities against asset subject to finance lease with floating interest rates.

Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax:

	Increase / decrease in basis points	Effect on profit before tax (Rs. In thousands)
2010		
KIBOR	**+100**	**(22,117)**
KIBOR	**-100**	**22,117**
2009		
KIBOR	+100	(16,962)
KIBOR	-100	16,962

38.5 Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is currently financing majority of its operations through equity and working capital. The Group had a gearing ratio of 24.14% (2009 : 16.27%) as of the Balance Sheet date which in view of the Management is adequate considering the size of the operations and its investment in subsidiaries.

38.6 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market date (unobservable inputs).

As at 30 June 2010, the Group has only available-for-sale investments measured at fair value using level 1 valuation techniques.

During the year ended June 30, 2010, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

38.7 Equity price risks

Equity price risk is the risk that the fair value of future cashflows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's quoted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification. Reports on the equity portfolio are submitted to the Group's Board of Directors on a regular basis. The Board of Directors review and approve all equity investment decisions. The Group however, is not significantly exposed to equity price risk as of the balance sheet date.

39. SEGMENT ANALYSIS FOR THE YEAR ENDED JUNE 30

	2010					2009				
	Enginee-ring	Building Materials and Allied Products	Cash & Carry and Others	Elimi-nation	Total	Enginee-Ring	Building Materials and Allied Products	Cash & Carry and Others	Elimi-nation	Total
		-----------Rupees in thousand-------------					--------------Rupees in thousand----------------			
Sales revenue	**6,304,875**	**4,948,172**	**10,515,086**	**(55,631)**	**21,712,502**	3,927,287	4,335,695	8,262,318	(30,987)	16,494,313
Segment result	**1,504,455**	**861,579**	**(251,026)**	-	**2,115,008**	694,411	693,796	(469,783)	-	918,424
Unallocated corporate (expenses) / income:										
Administrative & distribution Costs					**(293,729)**					(243,827)
Other operating income					**137,684**					163,414
Operating profit					**1,958,963**					838,011
Finance cost					**(235,815)**					(289,866)
Other charges					**(150,721)**					(86,172)
Share in profit of associates					**227,095**					60,254
Taxation					**(814,944)**					379,544
					984,578					901,771
Operating assets	**1,852,414**	**2,593,460**	**5,367,978**		**9,813,852**	1,332,718	2,183,008	5,373,396		8,889,122
Unallocated assets					**582,219**					700,390
					10,396,071					9,589,512
Operating liabilities	**1,863,995**	**783,542**	**2,446,719**		**5,094,256**	575,168	824,116	2,264,883		3,664,167
Unallocated liabilities					-					-
					5,094,256					3,664,167
Other disclosures:										
Capital expenditure	**48,296**	**14,021**	**97,067**		**159,384**	113,960	22,258	874,470		1,010,688
Depreciation expenses	**71,599**	**34,575**	**307,974**		**414,148**	64,899	39,535	262,473		366,907
Investment in associates					**901,926**					760,018

In order to comply with the requirement of IFRS – 8 "Operating Segments" the activities of the Group have been grouped into three segments of related products i.e. engineering goods, building material and allied products and cash & carry, trading and share registrar & management services.

The Engineering segment is engaged in the manufacturing of automotive parts.

The Building material and allied product segment include jute, papersack and laminate operations.

The third segment includes the cash & carry business, trading and share registrar and management services.

40. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on September 25, 2010 by the Board of Directors of the holding company.

41. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 25, 2010 has approved/proposed the following:

(i) transfer of Rs.1.110 billion from unappropriated profit to general reserve.

(ii) payment of final cash dividend of Rs. 3 per share for the year ended June 30, 2010 amounting to Rs. 153.465 million and the issuance of bonus shares in proportion of one ordinary shares for every five ordinary shares for approval of the members at the Annual General Meeting to be held on October 28, 2010.

(iii) to avail Group Relief under section 59B of the Income Tax Ordinance, 2001 by claiming tax losses of its subsidiary company – Makro-Habib Pakistan Limited amounting to Rs.382.581million for the tax year 2010. The surrender of such tax loss was also approved by the Board of Directors of Makro-Habib Pakistan Limited at its meeting held on September 16, 2010.

42. GENERAL

Figures have been rounded off to the nearest thousands.

SOHAIL P. AHMED
VICE CHAIRMAN AND CHIEF EXECUTIVE

ALI S. HABIB
DIRECTOR

to Thermal. We are the first and the only Company in Pakistan to make Aluminum Radiators. During the year Denso evaluated our quality twice, once at the start up and then six months later, on the basis of which they have confirmed their approval for our going into Phase II, work on which has begun.

In the aftermarket our sales grew as well under the CoolSonic brand. We successfully developed and sold Dual Aircon for fire fighting vehicles, and also added Ghandhara Industries as a customer for truck air conditioners. Our sale of Heat Exchangers also grew significantly but the numbers pale in comparison to our OEM sales.

We have reorganized the Aftermarket's operations and expect an evident growth in the ensuing years, on the back of our newly introduced "Coolsonic" brand.

Wiring Harness:

The sales of Wiring Harness touched a high in 2010. It would have continued its upward journey going forward but for the recent floods which will have adverse affect on vehicle sales. The Wiring Harness factory set up at Sundar, Lahore is currently vacant. All the machinery which was of recent vintage has been brought to Karachi and has helped to improve the productivity at the korangi plant. The operations at Sundar will start up once vehicle manufacturing in that area increases. It is more economical, at present volumes, to produce harnesses at Karachi plant.

Future Outlook:

The new fiscal year started with a threat of 10% FED on air conditioners which thankfully the government clarified that it was not applicable to automotive air conditioners. We are beholden to FBR for this clarification.

Though the Trade Policy for the year is still awaited, it is well known that certain ministries are recommending increase in the age limit of used cars from currently 3 to 5 years, as well as increase in depreciation rate of used cars from 1% per month to 2% per month. This is against the industry and if implemented will have a negative impact on local car sales and allied vendor industry.

The Rupee continues to devalue, the interest rates are not coming down, fuel and power costs are going up, the energy crises continues unabated and per capita income is not improving. Obviously the fundamentals of the economy have not improved. There are no beacons which show us the true path and hence it is difficult to predict how the coming year will be. The flood has added to the woes of the Country. Substantial wealth has flown down the rivers into the sea. Survival of many must get the priority. This will naturally affect sale of cars, our primary customers.

The aftermarket which is about Rs. **30** billion worth is only serviced to a maximum of 10% to 12% by the local manufacturers. The rest is provided by the unscrupulous. This is a major market which is denied to the ethical tax paying documented industry. Yet more levies are imposed on us making us more and more uncompetitive against the unethically inclined who rule the roost in after market

BUILDING MATERIAL AND ALLIED PRODUCTS SEGMENT:

The Building Material & Allied Products Segment recorded a sales revenue of Rs. 4.948 billion as compared to Rs. 4.335 billion, recording a respectable growth of Rs. 613 million or 14%.

Jute Operations:

The year 2010 was a challenging year for the whole Jute Industry of Pakistan as the Government of Bangladesh had imposed a ban on export of raw jute in December 2009 which was partly lifted in February'10. However, Alhamdulillah we were able to get raw jute throughout the year, due to alacrity and good team work.

During the year under review, the jute operation produced 29,353 metric tons versus 35,197 metric tons in the previous year, a decline of 5,844 metric tons or 17% due to jute crisis and consequent curtailment of production of the third shift during Quarter 3.

The exports during the year under review was US$ 5.25 million (Pak Rupees 449 million) as compared to US$4.7 million (Pak Rupee 365 million) in the similar period last fiscal year. i.e. an increase of Rs 84 million. The increase in exports is attributable to our commitment to quality and customer confidence reposed in Thal.

In order to strengthen our operating activities and to minimize the business risks, we constructed Jute Assortment Sheds to meet with increasing jute demand in production process, installed state of the art Sprinkler System in three more godowns and also enhanced the baling capacity in Finishing Department by installing a Press Stand-by System.

With persistent rise in power tariff and other costs of doing business, the management tried to raise the bar of efficiency & productivity whilst maintaining quality of the products.

Future Outlook:

The market reports available so far indicate that the crop size in Bangladesh in the ensuing season is better as compared to the last season. However, the quality of high grade jute is affected due to drought and the price level is maintained at last year's level because of increased consumption of raw jute in Bangladesh as the sick mills have since revived their operations.

The power crisis and increased tariff coupled with increased wage cost is escalating the cost of production. Despite all odds the management will endeavor to perform well (Inshallah).

Papersack Operations:

The Papersack Division has been able to sustain its market share, manage its cost and improve efficiency which has enabled it to face considerable challenges arising out of competition in the local market from other papersack manufacturers and woven polypropylene units. The challenges faced were further intensified with the rapid rise in international paper prices, economic slowdown domestically and rising cost of fuel and energy.

Despite the adverse external conditions, the management's prudent cost control measures, efficiency improvement initiatives and market retention / penetration strategies bore positive results, with YoY 24% increased sack production, which enabled the Division to retain its position as the market leader.

During the period, the Division's planned penetration of the export markets was successful, with sizeable orders already executed and further orders being in the pipeline. The Division plans to continue exploring new markets for its existing products and new products for its existing markets, to ensure the long term stability of the operations.

In the Federal Budget 2010-2011, the Government did not withdraw the 5% Regulatory Duty on our Sack Kraft Paper imports, imposed in the preceding Federal Budget. Your management has taken up the matter with the Government to remove this anomaly and is following up on the case diligently.

With your prayers and support, the Division is confident of continuing on at the same pace and is geared to face the challenges ahead, with the determination and dedication synonymous with a market leader.

Future Outlook:

The coming year will bring into light the challenges of global paper shortages and higher paper prices, however, your management plans to offset some of these elements through stringent inventory management, efficient financial planning and concentration on core competencies, which have borne positive results thus far.

Furthermore, your management will continue to improve production efficiency and expand our customer base, both in local and export markets, in order to ensure the long term sustainability of the Division.

Laminates Operations:

During the year, the Division faced obstacles in the shape of rising input costs, increased raw material prices, continuing Pak Rupee devaluation, breakdown of law & order situation and competition from the unorganized sector. However, we managed to reduce cost by improving efficiencies, while at the same time, effectively develop a market penetration strategy, designed to expand the base of "Formite" brand beyond Pakistan.

We were also successful in launching our new brands "Monet" and "Dream Collection", both of which are catering to niche markets in Pakistan. The Division's continued search for new markets has also been successful, with export order witnessing a healthy growth and at the same time allowing for improved capacity utilization.

The dedicated efforts of the management in the marketing and sales areas, allowed the Division to partially offset the impacts of rising cost of inputs and higher operating cost to the end consumers, whilst maintaining control on market exposures and risks.

The unstable law and order conditions prevailing in the country, coupled with slow economic recovery, does challenge the momentum of the company, which will require further efforts by the management in terms of fine tuning in order to ensure the long term sustainability of the operations.

Future Outlook:

Continuing on with the marketing and sales efforts, in the coming period, the Division plans to further expand its image building campaign in Pakistan and abroad, thru expansion of its product portfolio, improvement in quality standards, launch of new designs and styles, global exposure and presence, etc. All these efforts will bear fruit in the longer term, and allow the Division to solidify its customer and product base to absorb turbulences in the future.

Even in the face of considerable challenges arising out of rising cost of imported materials and increasing operating costs, your management is confident that it is well poised, equipped and geared to overcome these hurdles with the support of your prayers.

Awards:

The Engineering Division received an award from Indus Motor Company in *Timely Development and Delivery* for the calendar year 2009 and for the first time from Landi Renzo for *Quality*. We supply Wiring Harnesses to Landi Renzo, an Italian company, who are leading suppliers of CNG equipment in the world and also in Pakistan.

The Engineering Division also once again received the top Award in Industrial Gardens Sector from the Horticultural Society of Pakistan. Our garden has grown and expanded over the years and the plants planted a decade and a half back have now become sturdy trees.

Sponsorship:

This year Thal sponsored a Fuel Cell Powered Car made by final year students of NED University of Engineering & Technology. They participated in Shell Eco Marathon 2010 Asia Prototype Challenge in Singapore. This was our effort towards not only assisting the students in their research on alternate fuels for vehicles but also to strengthen the bond between industry and Professional Educational Institutions.

Information Technology:

Information Technology having become part and parcel of our operations continues to show us how useful, reliable and necessary it is to maximize its use. Besides raising the bar through Kaizens in the areas it was already being used, we made forays in other areas as:

Bar Code implementation for prompt and accurate recording of inventory, a major cost in our company and thus a much desired control;

Material budgeting through a customized application developed in-house, enabling budgeting and simulation of costs;

Real time Exception Alerts to Departmental and Divisional Heads, it keeps people on their toes and moving; Installed Employee Self Service Kiosk for Junior Team Members to enable access Employee Self Service Portal confidentially;

SAP based Plant Maintenance Module was implemented;

In order to reduce software licensing cost we opted for *Open Office* (open source software) which required extensive R&D, training and user support resulting in onetime cost saving of around Rs. 5.2 million;

We invested in our SAP hardware and upgraded it for data security and have also implemented TSM (Tivoli Server Management) which is considered to be the most reliable and fastest data backup solution;

The plan is to make more happen continually

Training:

With improvement in cash flow, we spent more on training again; 12,824 man hours were spent on training vs. 7,437 man hours last year. We are working at the grassroots to raise the Technical Quotient (TQ) of the company and on management cadre to raise the Management Quotient (MQ) of the Company.

We again sent engineers on training to Denso Japan and Malaysia on Production Management and through AOTS to Japan on Production and Corporate Management.

The skill competition started a couple of years back, has now become an annual event. We want to take part in the international competition held by Denso, for which we are grooming some JTMs.

Skill assessment is now carried out formally for all Junior Team Members and is part of the annual appraisal system.

Human Resources:

With induction of some new team members in the HR Department new initiatives have been taken to assess the fresh inductees, annual appraisal etc and some gates have been set up for promotion at key echelons in a more scientific and transparent manner. We are trying to raise the bar in all we do.

Contribution to National Exchequer:

Our contribution to the national exchequer for the year under review was Rs. 2.502 billion. The government's share is substantial and keeps growing with growth in the company. Last year we contributed Rs. 1.822 billion.

A sum of Rs. 150.017 million was contributed towards the Workers' Profit Participation Fund and Workers' Welfare Fund.

Corporate Social Responsibility:

This being a good year, we increased our spending on societal needs to Rs. 18.4 million, from a high of Rs. 11.3 million last year. We have now decided to spend annually 1% of PBT on causes dear to us and our Country.

We continue to support hospitals and schools especially for girls, in areas where we are located. In Baseera, in a small village in district Muzaffargarh we once again provided full expenses of a TCF school, benefitting 180 students 44% of whom are girls. The education statistics of this area are quite dismal as only 29% of the population out of which only 15% are females, have access to primary education. Our efforts will Inshallah improve the statistics.

As is now our wont, we sponsored 11 young adults, 3 of them girls with limited means to the Young Leaders Conference (YLC). We have been sponsoring ever since the beginning of YLC, 8 years ago.

Currently we have 70 physically challenged individuals working for the company at various levels. This is part of our legacy.

To reduce maternal mortality and morbidity and neonatal mortality, we joined up with Murshid Hospital and Health Care Centre in a project called *Janum* to train health personnel (doctors, nurses and midwives) engaged in maternities in Emergency Obstetric and Neonatal Care.

Pakistan Liaison Group of Royal College of Obstetricians and Gynecologists, Society of Obstetricians and Gynecologists of Pakistan, National Committee of Maternal and Neonatal Health and Midwifery Association of Pakistan has collaborated with Murshid Hospital in the Project.

We have been active members of World Wide Life Fund for over a decade and a half.

We are also registered with Global Compact, an initiative of United Nations, which devolves around human rights, work ethics, environmental issues and forces / child labour. Companies that join the Global Compact make explicit commitment to communicate annually on progress made. Thal's progress was updated on UN website.

We have also signed "Caring for Climate" mandate under the auspices of Global Compact. We are a green company and want to promote "greenness" strongly. We do seriously believe that control of environmental degradation is necessary for survival of humanity.

The recent floods have played havoc with fortunes of millions of people of this Country. Our own people in Muzaffargarh have suffered. We as a part of House of Habib have undertaken relief operations both in Muzaffargarh area and Sindh. We plan to wholly rehabilitate the families; we are now working with, including all our affected employees.

Being Green we are conservationists. We conserve all natural resources. During the year we took many Green Initiatives, as using:

- Solar heater for washing
- Recycled paper for photocopying and typing
- Extra insulating the Noclock furnace

- Powder coating painting instead of liquid
- Air conditioners upto 1.5 ton only and keeping the thermostat on 26^0C
- Using CFL bulbs
- Carrying out energy audit and decreasing per unit of output, consumption of electricity

These are the initial steps and we will continue on the path

Our industrial relations are Alhamdulillah enviable because of the respect we give to all the team members and open and frequent communication opportunity to all.

We must do our best, however small it may be

Subsidiaries:

Pakistan Industrial Aid (Private) Limited

The subsidiary continues to grow from strength to strength. We now have representation rights of various Industrial and automotive products like, Spot Welding Equipment and Accessories, Coating/ Painting Equipment and Systems, Air Compressors, Precision Steel Tubing, Grade-1 Flat Steel Sheets, Aluminum Sheets, Auto Parts, Aluminum and Plastic Food Containers, Solar Lights and Panels, Motorcycle Shock Absorber Parts and Various Type of Filters and Filter Papers.

Our customer base is also growing and is diverse. For a trading Company working on commission, a very varied supply base and a large customer base is necessary in Pakistan, due to paucity of good large industrial units.

We have a long way to go.

Noble Computer Services (Private) Ltd:

Noble Computers Services (Private) Ltd., incorporated in 1983, has a large portfolio of services, providing share / TFC Registrar Services, Share Accounting Services, Share / TFC Floatation Services, Management & I.T. Related Services, HR Services and internal Audit services. It continues to improve upon its services every year as well as its financial performance.

Makro-Habib Pakistan Limited:

Makro-Habib Pakistan Limited is now a fully owned subsidiary of Thal Limited. The company is the pioneer of Cash and Carry Wholesale business in Pakistan. MHPL started business in 2006 and today has five stores in operation in Karachi and Lahore. Our cash flows is improving all the time. We are moving to plan.

Makro stores provide a consistent great buying experience to its customers and this has enabled Makro to achieve a unique position in a short time.

MHPL has a role in lending a hand to the government to strengthen documented economy. Retailers, Hotels, Restaurants, Caterers and offices form a loyal customer base of MHPL contributing about 60% of volume of sale. This year the NGOs have also become a part of the customer portfolio. Through competitive prices, consistent quality, accuracy of weights and safe environment Makro stores have become a shopping place of choice for the end-customers who want to shop smartly for their home needs.

Makro-Habib Pakistan Limited has a challenging path to tread on ahead given the challenges of growth and the set of economic conditions posed by the country's economic climate. We at Makro are, however, confident that the Makro team shall continue to be efficient in their performance with focus on service, product assortment and consistent quality to our customers.

Our strategy is growth, both organic at each store and addition of new experiential centres. The size and economy of scale is key to Success in our business.

In the case of Saddar Store litigation, the Supreme Court of Pakistan, on 17th March, 2010, has issued a status quo order until the next date of hearing of the review petition. As such the store will continue its operations until any further decision is made by the Supreme Court.

Future Outlook:

During the year under review all the segments improved their sales turnover, as well as their operating margins. The new fiscal year has begun with wide destructive floods. Most of the industries will be hit adversely by it, but some as construction, in the aftermath of the floods, will boom. Inflation is likely to be higher, pushed both by cost and demand, Rupee shows no sign of strengthening or stabilizing and energy continues to be dearer. We will all have to tighten our belts and keep a rein on costs.

The adverse impact on the economy in the wake of flood is likely to once again dampen the demand of cars; this will have an effect on the engineering segment's performance. However the agricultural output should improve later as the lands generally become more fertile after floods, though in the immediate term the cotton crop has been affected and sowing of wheat in time may be an issue, especially in Sindh.

The 'Building Material and Allied' Products segment will be unpredictable this year as the construction and agriculture will be impacted by the devastating floods. The degree and extent is not clear and will become known subsequently.

The revenue of 'Cash and Carry and Others' segment is improving and the cash flow is getting better. We are on our way.

Our vision beckons us. We want to be world class players. We are not people of a lesser God. What inhibits us is the environment we work in. To break the onion shells we must continue our investments in human capital, and cicerone the path to the envisioned future.

On behalf of the Board of Directors I would like to thank our Customers, Dealers, Business Partners and Employees & Bankers for their unwavering support and confidence in us.

We are indeed grateful to our technical Partners Denso Corporation Japan and Furukawa Electric Company, Japan for their cooperation, advise and help.

The challenging times continue and we need Allah's benevolence. May He be our guide.

Auditors:

The current auditors Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible offer themselves for re-appointment as auditors for the year 2010-11. The reappointment has also been recommended by the Audit Committee.

Pattern of Shareholding:

The pattern of shareholding as on June 30, 2010 is attached to this report.

Compliance with the Code of Corporate Governance:

Statement on Corporate and Financial Reporting Framework:

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

2. Proper books of account have been maintained.

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

4. International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

5. The Board has outsourced the internal audit function to M/s. Noble Computer Services (Pvt.) Ltd, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedure of the Company.

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

7. The Audit Committee comprises of two non-executive directors and one executive director.

8. There are no significant doubts upon the Company's ability to continue as a going concern.

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

10. The value of investment based on the audited accounts of provident fund and retirement fund stands at Rs. 252 million and Rs. 25 million as at June 30, 2009.

11. The key operating & finance data for the last 6 years are annexed to the report.

12. There were no transaction in shares of the Company undertaken by its Directors, CEO, CFO and Company Secretary, their spouses and minor children.

13. During the year under review the Board convened 5 times and attendance of the respective Directors was as under :

S #	Names of Directors	Meeting Attended
1	Mr. Rafiq M. Habib	3
2	Mr. Ali S. Habib	5
3	Mr. Mohamedali R. Habib	4
4	Mr. Sohail P. Ahmed	5
5	Mr. Mazhar Valjee	5
6	Mr. Shahid Mahmood Khan	2
7	Mr. S. Z. Kazmi	4

On behalf of the Board of Directors

Sohail P. Ahmed
Chief Executive and
Vice Chairman
Karachi

Dated: September 25, 2010