بسم الله الرحمن الرحيم

CONTENTS

COMPANY INFORMATION

Board of Directors		Mr. Muhammad Ismail (Chief Executive) Mr. Umar Farooq Sheikh Mr. Hussain Ahmad Fazal Mrs. Attiqa Hussain Mst. Ghazala Nasreen Mr. Mushtaq Ahmad Mr. Sarfraz Hassan
Chief Financial Officer		Mushtaq Ahmad
Auditors		Tariq Ayub Anwar & Co. Chartered Accountants
Bankers		Al-Barka Bank (Pakistan) Ltd. Allied Bank Limited Askari Bank Limited Bank Islami Pakistan Ltd. Faysal Bank Limited Habib Bank Limited MCB Bank Limited National Bank of Pakistan Pak Oman Investment Co. Ltd. Soneri Bank Limited
Offices:		
	Karachi:	Room # 808, 8th Floor, Saima Trade Tower-B, I.I. Chundrigar Road, Karachi. Ph. No. 92-21-32217328-9
	Multan (Unit-1&3)	Fazalabad, Vehari Road, Opp. Timber Market, Multan. Ph. No. 92-61-6527238, 6528245, 6760524 Fax No. 92-61-6526487, 6526572 Web Site: www.hussaingroup.com
	Multan (Unit-2)	35-KM Bahawalpur Road, Near Adda Muhammad Pur, Multan. Ph. No. 92-61-4250577
	Multan (Unit-4)	Qadir Pur Rawan Bypass, Khanewal Road, Multan. Ph. No. 92-61-6002711

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Hussain Mills Limited ("Company") are pleased to present 32nd Annual Report of the Company, along with Audited Financial Statements for the Year ended 30th June, 2010 and Auditors' Report thereon.

OPERATIONAL PERFORMANCE

During the year under review, the Company's performance has been ever best. Briefs of financial results given below will give you a quick look of the current year's performance of the Company with comparison of the previous year:

	2010 Rupees	2009 Rupees
Sale	8.695,516,488	6,253,776,491
Gross Profit	1,591,134,741	1,006,899,871
Operating Profit	1,200,314,948	722,272,842
Finance Cost	(567,611,249)	(673,682,731)
Profit before Tax	632,703,698	48,590,111
Profit after Tax	432,870,713	10,687,878
Earning Per Share	23.03	0.57

The financial year under review was a year of massive profit. The main feature was cotton prices & consequently the yarn prices amplified substantially during the year, resulting in high profit margin, as cotton had been procured at lower levels.

The Sales for the year are ever highest at Rs. 8.695 billion giving an increase of Rs. 2.442 billion in sales of Rs. 6.254 Billion in the preceding year, which constitutes a 39.04% raise of the Sales. Increase in Sales is due to premium prices of the products of the Company, higher exchange rate parity and better capacity utilization. With the increase in Sales Gross Margin has substantially improved to 18.30% as compared to 16.10% in previous year showing an improvement of 58.02%. The Finance Cost reduced to 6.53% of the Sales as compared to 10.77% of the Sales in preceding year. As a result Company's net margin significantly improved to 7.28% as compared to 0.78% in the last year.

Although the Profit is very high, yet it might be more if gas load shedding problems are resolved and our total required electricity for production is replaced with self sui gas generation which is expected in the following financial year.

OPERATIONAL REVIEW

The financial year under review was a mix of pressure & opportunities i.e. political uncertainty, abnormal hike in gas, electricity, transportation etc. But all credit goes to the management who procured cotton at good average price for the financial year & contributed to attain encouraging results for the company. The management did its level best to purchase quality cotton from local & international markets at favorable prices. Afterwards cotton prices gone up tremendously & prices of yarn & fabrics also increased.

In a nutshell, the whole scenario moved towards achieving better operating results of the company. In addition, looking at the international markets, economic condition is gradually overcoming the previous recession & crunch. This encouraging situation paved the way to get good prices of the yarn & fabrics internationally.

GENERAL MARKET SCENARIO AND FUTURE PROSPECTS

All the economic activities of the country have been paralyzed because of recent flood disaster & large area of cotton belt has effected badly & cotton crops have been damaged, whereas prices of cotton are also un stable in the international market. This critical scenario is creating turmoil in the cotton market & prices of cotton in local market have jumped up to an alarming level. Clouds of uncertainty are prevailing to a great extent & no direction is on hand at the moment.

There in no second opinion on the issue that cotton of good qualities take part very imperative role in the entire textile products i.e. ginning / spinning to value added goods. It is very discouraging to note that being an agricultural country we are still lacking in producing cotton to such an extent to meet demand of our industry comfortably. Our textile industry which contributes overwhelmingly toward economic activities of the country will remain at stake unless good quality of cotton in abundance is produced.

Load shedding of electricity & sui gas is another burning issue in general for the entire country and in particular for the textile industry. This industry is operated round the clock throughout the year and load shedding even for a shorter period of time causes loss to the sector. Government should adopt sound policies to curb this issue in the betterment of textile sector & Pakistan.

It is worth mentioning that during the mid of reporting year by fixing quota and levying 15% duty on yarn export by the government showed its illogical attitude. The decision of quota imposition taken by Government resulted into stuck up of many containers at Karachi Port. It is advised that enduring export policies for textile sector should be in place at the commencement of cotton season without any interruption during the whole year.

Merger of NEL into HML:

It is also significant to apprise here that M/s Naseem Enterprises (Pvt) Limited exists no more as a separate entity because under the Sindh High Court Order dated 03.09.2010 and correction order dated 28.09.2010 it has merged into your company and accordingly SECP has amended its books on October 29, 2010.

Related Party Transactions

As per policy of the company, all transactions entered with related parties must be at arms length. Your company follows comparable uncontrolled price method for pricing of transaction with relevant parties, if any.

Financial Statements

M/s Tariq Ayub, Anwar & Co. Chartered Accountants audited the financial statements of the company and issued clean audited report in this respect for the financial year that comes to an end on June 30, 2010 and the same is annexed to the financial statements.

Auditors

The retiring auditors M/s Tariq Ayub, Anwar & Co. chartered Accountants retire & being eligible, have offered themselves for re-appointment. The board recommended their re-appointment as external auditors until the conclusion of the next Annual General Meeting. Said chartered accountants are a member firm of Clarkson Hyde International world wide and are on the panel of the State Bank of Pakistan and have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan.

Expansion Plan

Looking at the current situation of market where cost of financing & production is increasing by leaps and bounds it is quite hard to forecast any definite conclusion about the performance of the company in future. However, normal BMR will remain continue as and when required.

Acknowledgment

Your directors record with admiration, the hard work of the company's executives, managers, technicians & workers who worked energetically to meet the goals set before them. Yours directors also extended their appreciation to the company's bankers, valued customers, suppliers, shareholders and government authorities for the cooperation extended by them during the year.

For and on behalf of the Board

LAHORE:
2ND OCTOBER, 2010

HUSSAIN AHMAD FAZAL
Director

FINANCIAL HIGHLIGHTS

Six Years Growth at Glance

PARTICULARS	Year 30th June,					Ten Months
	2010	2009	2008	2007	2006	Ended 30th June, 2005
Profit and Loss						
Net Sales	8.695,516,488	6,253,776,491	5,392,224,041	3,768,564,364	3,132,314,226	2,171,352,015
Gross Profit	1,591,134,741	1,006,899,871	673,963,859	320,796,913	229,264,784	224,611,013
Operating Profit	1,200,314,948	722,272,842	466,866,082	223,449,866	156,524,001	136,937,994
Profit Before Tax	632,703,698	48,590,111	82,578,920	32,758,077	15,275,897	56,770,929
Profit After Tax	432,870,713	10,687,878	35,012,376	17,420,308	3,741,203	11,264,948
Cash Out Flows						
Taxes Paid	69,590,225	56,781,883	37,714,858	33,190,258	11,443,521	31,760,787
Financial Charges Paid	566,803,516	645,368,872	318,667,722	184,161,303	124,902,702	56,358,885
Fixed Capital Expenditure	245,275,172	181,911,038	35,156,783	901,085,409	309,685,386	112,813,864
Balance Sheet						
Current Assets	3,700,803,054	3,333,607,647	2,982,785,169	1,724,892,482	1,579,151,090	900,220,801
Current Liabilities	3,271,374,802	3,229,024,162	3,141,774,473	1,831,859,983	1,663,603,996	913,496,599
Operating Fixed Assets - Owned	4,258,404,902	3,794,569,153	3,797,735,853	3,938,186,825	1,386,599,498	1,247,875,636
Total Assets	8,265,017,304	7,394,097,896	7,027,046,305	5,843,825,730	3,130,204,529	2,259,921,419
Long Term Loans and Finances	1,482,665,993	1,643,560,501	1,373,065,708	1,502,318,149	603,749,009	468,704,048
Shareholders' Equity	1,158,873,548	677,856,047	615,945,623	577,419,493	538,080,754	505,542,896
Financial Ratios						
Current Ratio	1.13	1.03	0.95	0.94	0.95	0.99
Gearing Ratio	0.79	0.87	0.85	0.82	0.79	0.72
Gross Profit Ratio (%age)	18.30	16.10	12.50	8.51	7.32	10.34
Net Profit Ratio (%age)	5.53	0.99	0.65	0.46	0.12	0.52
Return on Capital Employed (%age)	2.30	0.06	5.68	3.02	0.70	2.23
Earning Per Share	23.03	0.57	1.86	0.93	0.20	0.60
Production Machines						
Spinning Section						
Spindles Installed	76,440	76,440	76,440	76,440	55,640	51,912
Spindles Works	76,440	76,440	76,440	76,440	55,640	51,912
Number of Rotors Installed	2,000	2,000	2,000	2,000	2,000	2,000
Number of Rotors Worked	2,000	2,000	2,000	2,000	2,000	2,000
No. of Shifts Worked per Day	3	3	3	3	3	3
Installed Capacity at 20/s Count (Kgs.)	30,513,554	30,513,554	32,894,703	30,790,050	23,373,305	18,408,230
Actual Production converted into 20/s Count (Kgs.)	22,969,510	22,674,377	24,703,924	24,009,611	18,375,441	15,232,356
Weaving Section						
Number of Looms Installed	120	120	103	103	-	-
Number of Looms Worked	120	120	103	103	-	-
Number of Shifts Worked per day	3	3	3	3	-	-
Installed Capacity at 50 Picks - Sq Meter	29,471,525	29,471,525	24,477,256	10,059,146	-	-
Actual Production converted into 50 Picks - Sq. Meter	23,571,213	23,112,011	19,846,243	8,976,197	-	-

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of HUSSAIN MILLS LIMITED as at 30th June, 2010 and the related Profit & Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the Year then ended and we state that we have obtained all the information and the explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

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

We conducted our audit in accordance with the Auditing Standards as applicable in Pakistan. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said Statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said Statements. An audit also includes assessing the Accounting Policies and significant Estimates made by the Management, as well as, evaluating the overall presentation of the above said Statements. We believe that our audit provides a reasonable basis for our Opinion and, after due verification, we report that:

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

b) in our opinion;
   i) the Balance Sheet and the Profit & Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the Books of Account and are further in accordance with Accounting Policies consistently applied except for changes stated in Note 2.3 and Note 3.2 with which we concur;

   ii) the Expenditure incurred during the Year was for the purpose of Company's business; and

   iii) the Business Conducted, Investments made and the Expenditure incurred during the Year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss Account, Cash Flow Statement and the Statement of Changes in Equity, together with the Notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 30th June, 2010 and of the Profit and the Cash Flows for the Year then ended; and

d) In our opinion no Zakat was deductible at source under the Zakat & Ushr Ordinance, 1980.

sd/-

TARIQ AYUB, ANWAR & CO.
CHARTERED ACCOUNTANTS
AUDIT ENGAGEMENT PARTNER: MUHAMMAD ANWAR KHAN

Lahore:
84-B-I, Gulberg-III
2nd October, 2010

BALANCE SHEET

As at 30TH JUNE, 2010

	Note	2010 Rupees	2009 Rupees
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized capital			
20,000,000 Ordinary Shares of Rs. 10 each		200,000,000	200,000,000
Issued, Subscribed & Paid Up Capital	4	187,997,420	187,997,420
Premium on Issue of Shares		2,400,000	2,400,000
Un-appropriated Profit		968,476,128	487,458,627
		1,158,873,548	677,856,047
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	5	1,980,413,611	1,596,096,872
NON CURRENT LIABILITIES			
Long Term Finances	6	1,482,665,993	1,643,560,501
Deferred Liabilities	7	371,689,349	247,560,314
		1,854,355,342	1,891,120,815
CURRENT LIABILITIES			
Trade & Other Payables	8	209,736,872	300,093,391
Accrued Interest & Mark-up	9	116,249,849	115,330,522
Short Term Borrowings	10	2,547,862,306	2,593,341,480
Current Portion of Long Term Liabilities	11	397,525,775	220,258,769
		3,271,374,802	3,229,024,162
CONTINGENCIES & COMMITMENTS	12	-	-
		8,265,017,304	7,394,097,896
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	4,303,840,902	3,806,691,941
Intangible Assets	14	8,751,569	-
Long term Investments	15	187,806,787	190,438,394
Long Term Loans & Advances	16	53,312,000	53,312,000
Long Term Deposits & Prepayments	17	10,502,992	10,047,914
		4,564,214,250	4,060,490,249
CURRENT ASSETS			
Stores, Spares & Loose Tools	18	76,811,894	61,600,093
Stock in Trade	19	2,254,749,540	2,009,342,151
Trade Debts	20	759,341,474	333,363,581
Loans & Advances	21	500,310,842	738,110,557
Trade Deposits & Short Term Prepayments	22	1,214,965	19,708,435
Interest Accrued	23	370,032	892,752
Other Receivables	24	39,936,474	61,007,940
Short Term Investments	25	200,319	32,639,844
Tax Refunds Due from Government Departments	26	21,012,443	21,912,360
Cash & Bank Balances	27	46,855,071	55,029,934
		3,700,803,054	3,333,607,647
		8,265,017,304	7,394,097,896

The annexed Notes from 1 to 44 form an integral part of these Financial Statements.

Lahore:
2nd October, 2010

sd/-
DIRECTOR

sd/-
CHIEF EXECUTIVE

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE, 2010

	Note	2010 Rupees	2009 Rupees
Sales	28	8,695,516,488	6,253,776,491
Cost of Sales	29	(7,104,381,747)	(5,246,876,620)
Gross Profit		1,591,134,741	1,006,899,871
Distribution Cost	30	(221,337,610)	(183,705,985)
Administrative Expenses	31	(125,609,161)	(99,235,966)
Other Operating Expenses	32	(53,998,992)	(11,062,512)
Other Operating Income	33	10,125,970	9,377,434
Operating Profit		1,200,314,948	722,272,842
Finance Cost	34	(567,611,249)	(673,682,731)
Net Profit for the year before Taxation		632,703,698	48,590,111
Taxation	35	(199,832,985)	(37,902,233)
Net Profit for the Year after Taxation		432,870,713	10,687,878
Other Comprehensive Income			
Un-realized Gain on Re-measurement of Fair Value of Investments Held for Sale		(2,788,278)	(7,504,051)
Transferred from Surplus on Revaluation of Fixed Assets in Respect of Incremental Depreciation	5	50,935,065	58,726,600
Total Other Comprehensive Income		48,146,787	51,222,549
Total Comprehensive Income		481,017,501	61,910,427
Earning Per Share - Basic & Diluted	36	23.03	0.57

The annexed Notes from 1 to 44 form an integral part of these Financial Statements.

Lahore:	sd/-	sd/-
2nd October, 2010	DIRECTOR	CHIEF EXECUTIVE

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE, 2010

	Note	2010 Rupees	2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before Taxation		632,703,698	48,590,105
Adjustment of Non Cash & Other Items:			
Provision for Gratuity		18,247,456	18,492,569
Depreciation		171,287,497	172,017,587
Balances Written off		6,637,670	-
Profit on Disposal of Fixed Assets		(959,328)	(480,703)
Dividend Income		(515,000)	(3,397,872)
Interest Income		(21,360)	(1,384,176)
Amortization of Intangible Asset		2,187,892	-
Loss on remeasurement of fair value of investment held for trading		278,300	3,082,842
Workers' (Profit) Participation Fund		34,335,135	2,557,374
Finance Cost		567,611,249	672,267,463
		799,089,511	863,155,084
		1,431,793,209	911,745,188
EFFECT ON CASH FLOW OF WORKING CAPITAL CHANGES			
(Increase)/Decrease in Current Assets			
Stores, Spares & Loose Tools		(15,211,801)	6,378,537
Stock in Trade		(245,407,389)	(196,493,222)
Trade Debtors		(425,977,893)	22,478,370
Loans & Advances		237,799,715	(343,071,972)
Trade Deposits & Short Term Prepayments		(400,897)	40,591,141
Short Term Investments		35,412,367	(17,258,976)
Other Receivables		21,071,466	13,502,965
Increase/(Decrease) in Current Liabilities			
Trade & Other Payables		(122,012,021)	190,754,134
		(514,726,453)	(283,119,023)
Cash Generated from Operations		917,066,756	628,626,166
Taxes Paid		(69,590,225)	(56,781,883)
Finance Cost Paid		(566,803,516)	(645,368,872)
Gratuity Paid		(14,444,402)	(12,875,420)
Workers' (Profit) Participation Fund Paid		(2,679,633)	(3,411,690)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		263,548,980	(89,811,699)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed Capital Expenditure		(245,275,172)	(181,911,038)
Long Term Investments		(55,998)	-
Long Term Loan		-	(14,592,000)
Return on Bank Deposits		544,080	7,634,871
Dividend Received		515,000	3,397,872
Long Term Deposits & Prepayments		(455,078)	23,200
Proceeds from Disposal of Fixed Assets		2,110,000	1,478,712
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(242,617,168)	(183,968,384)
CASH FLOW FROM FINANCING ACTIVITIES			
Prepayments of Long Term Finances		16,691,498	(20,916,103)
Loan Received from Directors		(319,000)	72,747,105
NET CASH INFLOW FROM FINANCING ACTIVITIES		16,372,498	51,831,002
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		37,304,310	(221,949,081)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(2,538,311,546)	(2,316,362,465)
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	37	(2,501,007,235)	(2,538,311,546)

The annexed Notes from 1 to 44 form an integral part of these Financial Statements.

Lahore:
2nd October, 2010

sd/-
DIRECTOR

sd/-
CHIEF EXECUTIVE

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH JUNE, 2010

Particulars	PAID-UP SHARE CAPITAL	CAPITAL RESERVE PREMIUM ON ISSUE OF SHARES	REVENUE RESERVES UN-APPROPRI-ATED PROFIT	TOTAL
	R U P E E S			
Balance as at 30th June, 2008	**187,997,420**	**2,400,000**	**425,548,200**	**615,945,620**
Total Comprehensive Income for the Year ended 30th June, 2009	-	-	61,910,427	61,910,427
Balance as at 30th June, 2009	**187,997,420**	**2,400,000**	**487,458,627**	**677,856,047**
Total Comprehensive Income for the Year ended 30th June, 2010	-	-	481,017,501	481,017,501
Balance as at 30th June, 2010	**187,997,420**	**2,400,000**	**968,476,128**	**1,158,873,548**

The annexed Notes from 1 to 44 form an integral part of these Financial Statements.

Lahore:
2nd October, 2010

sd/-
DIRECTOR

sd/-
CHIEF EXECUTIVE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE, 2010

1. STATUS AND NATURE OF BUSINESS

Hussain Mills Limited ("the Company") was incorporated in Pakistan on 31st March, 1980 as a Public Limited Company under the Companies Act 1913 (Now Companies Ordinance, 1984). This is an unquoted Company which is principally engaged in manufacturing/purchase and sale of Yarn & Fabric. The manufacturing units of the Company are located in the vicinity of Multan. The principal office of the Company is situated at Saima Trade Tower-B, I I Chundrigar Road, Karachi.

2. BASIS OF PREPARATION

2.1 Basis of Measurement

These Financial Statements have been prepared under the historical cost convention except for revaluation/re-measurement of certain Fixed Assets as stated in Note 5 and re-measurement of certain Financial Instruments at Fair Value (Note 15.4 & Note 25), without any adjustment of Inflation or Current Values, if any, using, except for Cash Flow Statement, Accrual basis of Accounting.

2.2 Statement of Compliance

These Financial Statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and approved accounting standards as applicable in Pakistan, except for IAS-19 Employee Benefits. Approved accounting standards for Economically, Significant Entities (ESEs) comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.3 Standards, Interpretations and Amendments to Published Approved Accounting Standards

Standards, Amendments and Interpretations which have been effective in current year and relevant to the Company:

IAS-1 (Revised). "Presentation of Financial Statements" is effective from 1st January, 2009. This standard requires presentation of transactions with owners in Statement of Changes in Equity and with non-owners on the Statement of Comprehensive Income. The Revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in a income statement and a separate statement of comprehensive income. The Company has applied IAS 1 (revised) from 1st July, 2009 and elected to present one performance statement (i.e. "Profit and Loss Account". However, since there are no nonowners changes in equity, there is no impact of such revised standard on these financial statements.

IFRS-7 "Financial instruments: Disclosures" is effective from 1st January, 2009 and supersedes the disclosure requirements of IAS 32 "Financial Instruments, Presentation".It introduces new disclosures relating to financial instruments which have been set out in Note 39 to these Financial Statements. It's adoption does not have any impact on the classification and valuation of the Company's financial instruments. There is no impact on the Profit for the Year.

IFRS-8 "Operating Segments" (effective for annual periods beginning on or after 01 January 2009). It introduces the "management approach" to segment reporting IFRS-8 requires presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's chief operating decision makers in order to assess each segment's performance and to allocate resources to them. Previously, the Company did not present segment information as IAS 14 limited reportable segments to those that earn a majority of their revenue from sales to external customers and therefore did not require the different stages of vertically integrated operations to be identified as separate segments. Under the management approach, the Company has determined operating segments on the basis of business activities i.e. Spinning and Weaving. As the change in accounting policy only results in additional disclosures of segment information, therefore is no impact on earnings per share.

IAS-23 (Amendment)- "Borrowing Cost" is effective from 1st January, 2009. This standard requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expense borrowing costs has been removed. Further, the definition of borrowing costs has been amended so that interest expense is calculated using effective interest method as defined in IAS 39 "Financial Instruments: Recognition and Measurement." The current policy of the Company is in line with the requirements of this amendment, therefore, there is no material impact on the Company's Financial Statements.

Standards, Amendments to published standards and interpretations that are effective in the current year but not relevant to the Company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 are considered not to be relevant or to have any significant impact on the Company's financial reporting and operations.

Amendments to published standards applicable to the Company not yet effective

The following amendments and interpretations to existing standards have been published and could be mandatory for the Company's accounting periods beginning on or after their respective effective dates:

IAS-1 (Amendment), 'Presentation of financial Statements' will be effective from January 1, 2010. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) not with standing the fact that the entity could be required by the counterparty to settle in shares at any time. It is not expected to have a material impact on the Company's financial statements.

There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published (not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and therefore have not been analyzed in detail.

Amendments to standards and interpretations to existing standards that are not relevant to the Company and not yet effective

Standards or Interpretation	Effective Date
IFRS 2: Share based payments	July 1, 2009
IFRS 3: Business Combinations	July 1, 2009
IFRS 5: Non-current assets held for sale and discontinued operations	January 1, 2010
IAS 17: Leases	January 1, 2010
IAS 27:Consolidated and separate financial statements	July 1, 2009
IAS 36: Impairment of assets	January 1, 2010
IAS 39: Financial Instruments: Recognition and measurement	January 1, 2010
IFRS 9: Reassessment of embedded derivatives	July 1, 2009
IFRS 16: Hedges of a net investment in a foreign operation	July 1, 2009

2.3 Critical Accounting Estimates & Judgements

The preparation of Financial Statements in conformity with the approved accounting standards and application of the Company's significant accounting policies stated in Note 3, requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances, Following are the areas where various assumptions and estimates are significant to the Company's Financial Statements or where judgment was exercised in application of accounting policies are as follows:

i) Employees Retirement Benefits (Note 3.2)
ii) Taxation (Note 3.3)
iii) Useful Life of Assets & Depreciation/Amortization (Note 3.6)
iv) Financial Instruments and Investments

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The significant accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.2 Staff Retirement Benefits

The Company operates an unfunded Gratuity Scheme covering all eligible Employees of the Company who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually to cover the obligation and charged to income currently in accordance with actuarial recommendation. The projected unit credit method is based on assumptions stated in Note 7.3.

3.3 Taxation

Current:

Charge for Taxation is based on taxable income if any, at the current rates of tax after taking into account available tax credits and tax rebates, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred:

Deferred Tax is recognized using balance sheet liability method in respect of all taxable temporary timing differences between the amounts used for financial reporting purpose and amounts used for taxation purposes. However, Deferred Tax is not provided if it can be established with reasonable accuracy that these differences will not reverse in the foreseeable future.

The Company recognizes deferred tax assets on all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated using rates that are expected to apply to the period when these differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is charged or credited in the profit & loss account, except where deferred tax arises on the items credited or charged directly to the equity, in which case it is included in equity.

3.4 Foreign Currency Translations

The Financial Statements are prepared in Pak Rupees, which is the Company's functional and presentation currency.

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Exchange gains/losses due to exchange fluctuations on principal loans are capitalised as part of the cost of machinery acquired out of the proceeds of such Foreign Currency Loans. All other exchange differences are taken to the Profit and Loss Account.

3.5 Borrowing Cost

Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to income in the period of incurrence.

Investment income earned on the temporary investment of specific borrowings pend their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

3.6 Property, Plant & Equipment

These are stated at Cost less accumulated Depreciation and impairment, if any, except Freehold Land, Buildings, Plant and Machinery and Capital work-in-Progress. Buildings on freehold land and Plant and Machinery are stated at re-valued amount less accumulated Depreciation thereon. Freehold Land and Capital Work-in-Progress are stated at Re-Valued Amount & Cost, respectively. Cost, in relation to Capital Work in Progress, consists of expenditure incurred in respect of Fixed Assets in the course of their construction, installation & acquisition.

Cost of certain items of Plant and Machinery consists of historical cost and exchange fluctuations on foreign currency loans utilized for acquisition thereof. Borrowing Costs pertaining to erection / construction period are capitalized as part of the historical cost.

Depreciation is charged to income applying the reducing balance method to write-off the Cost, capitalized Exchange Fluctuations and Borrowing Costs over the estimated remaining useful life of the assets. The useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these items of Fixed Assets. Rates of Depreciation are stated in Note 13.2. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively. Gains/losses on disposal of Fixed Assets are taken to Profit and Loss Account.

Depreciation on major additions to the Fixed Assets is charged from the month in which Fixed Asset is put to use or becomes operational while no depreciation is charged for the month in which Fixed Asset is disposed off.

Minor Repairs and Maintenance are charged to Income, as and when incurred. Major Renewals and Replacements are capitalized and the Assets so replaced, if any, other than those retained as stand by, are retired.

3.7 Assets Subject to Finance Lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of lease are accounted for as liabilities. Financial charges are allocated to the accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Depreciation is charged at the rates stated in Note 13.2 applying the reducing balance method to write-off the Cost of the Asset over its estimated remaining useful life in view of certainty of ownership of Assets at the end of the lease period.

Financial Charges and Depreciation on leased Assets are charged to Income currently.

3.8 Intangible Assets

Intangible assets are stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to income on straight line basis during the estimated useful life of assets. The useful life is reviewed periodically to ensure that it is consistent with the expected pattern of economic benefits.

Amortization is charged from the month of acquisition and upto the month preceding the disposal respectively. Gain/ loss on disposal of intangible assets are taken to profit and loss account.

3.9 Investments & other Financial Assets

Investment in Subsidiary

Investment in subsidiary is carried at cost less impairment, if any, and is classified as Held for Sale.

Others

Financial Assets in the scope of IAS 39: "Financial Instruments - Recognition & Measurement", are classified as either Financial Assets at Fair Value through Profit & Loss, Loans & Receivables, Held to Maturity Investments & Held for Sale Financial Assets as appropriate. When Financial Assets are recognised initially, they are measured at fair value, plus, in the case of Investments not at Fair Value through Profit or Loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and where allowed & appropriate revalues this designation at each financial year end.

All regular way purchases and sales of Financial Assets are recognized on the trade date i.e. the date the Company commits to purchase the Asset. Regular way purchases or sales are purchases/sales of Financial Assets that require delivery of Assets within the period generally established by regulation or convention in the Market place.

Investment at fair value through profit or loss

Financial Assets classified as held for trading are included in this category. Financial Assets are classified as held for trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

Held to Maturity Investments

Investment with fixed or determinable payments and fixed maturity are classified as held to maturity when the Company has the positive intention and ability to hold to maturity. Held to maturity investments are initially recognized at cost inclusive of transaction cost and are subsequently measured at amortized cost using effective interest rate method. Gains or Losses on investments held-to-maturity are recognized in profit and loss account when the investments are de-recognised or impaired, as well as through the amortization process.

Loans & Receivables

These are non derivative Financial Assets with Fixed or Determinable payments that are not Quoted in an Active market. Such assets are carries at amortized cost using the effective interest method. Gains & Losses are Recognized in Income when the Loans and Receivables are De-recognised or impaired, as well as through the amortization process.

Held for Sale Financial Assets

Financial Assets intended to be held for an indefinite period of time, which may be sold in response to need for liquidity or changes in interest rates or equity prices are classified as available for sale.

These investments are initially recognized at fair value plus transaction cost and subsequently re-measured at fair value. Gains and losses arising from re-measurement at fair value is recognized in the equity under fair value reserve until sold, collected, or otherwise disposed off at which time, the cumulative gain or loss previously recognized in equity is included in profit and loss account.

The fair value of investments that are actively traded in organized financial markets is determined by reference to Quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques.

The un-recognised gain on re-measurement of investments at fair value is not available for distribution. This will be transferred to Profit & Loss Account on de-recognition of Investments.

De-recognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. These investments are accounted for in accordance with IAS-39 "Financial Instruments: Recognition and Measurement".

3.10 Stores, Spares and Loose Tools

These are valued at moving average Cost less allowance for obsolete and slow moving items. Stores-in-transit are valued at Cost accumulated to the Balance Sheet date.

3.11 Stock - in - Trade as valued as follows:

Particulars	Mode of Valuation
Raw Materials:	
At mills	At the Lower of Cost and Net Realizable Value
In-Transit	At Cost Accumulated to the Balance Sheet date.
Work-in-Process:	At Raw Material Cost and Conversion Cost appropriate to the Stage of Completion.
Finished Goods	At the Lower of Cost and Net Realizable Value
Waste	At Realizable Value.
Other Stocks	At Cost.

Cost in relation to Work-in-Process and Finished Goods represents the annual average Manufacturing Cost which consists of Prime Cost and appropriate Production Overheads.

Net Realizable Value signifies the Selling Price in the ordinary course of business less Cost necessary to be incurred to effect such Sale.

3.12 Revenue Recognition:

Sales are recorded on dispatch of goods to the Customers. Processing Charges are recorded when Goods are delivered to Customers and Invoices are raised. Return on Investments and Deposits are recorded on time proportion basis. Dividend Income is recognized when right to receive is established. Interest/Mark up is recognized as this becomes due.

3.13 Trade Debts, Advances to Suppliers and other Receivables

These are carried at original invoice amount less estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and recoverable are written off when identified.

3.14 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current accounts, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in values.

3.15 Financial Instruments

Recognition and Measurements

Financial instruments are recognized at fair value when the Company becomes party to the contractual provisions of the instruments by the following trade date accounting. Any gain or loss on the subsequent measurement is charged to the profit and loss account. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise looses the control over contractual right that comprises the financial asset or a portion of financial asset. While a financial liability or a part of financial liability is derecognized from the balance sheet when, and only when, it is extinguished, i.e., when the obligation specified in contract is discharged, cancelled or expired.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item, if any.

Financial assets are long term investments, trade debts, deposits, loans and advances, other receivables, short term investments and cash and bank balances.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term financing, short term financing and trade and other payables.

Off-setting of Financial Assets and Financial Liabilities

A financial asset and financial liability is offset against each other and the net amount is reported in the Balance Sheet, if the Company has a legally enforceable right to set off the recognized amount and intends either to settle on net basis or realize the assets and settle the liability simultaneously.

3.16 Deferred Costs

Deferred costs already recognized are being amortized over a period of five years from the year of occurrence.

3.17 Trade and other Payables

Liabilities for Trade and Other Payables are carried at Cost which is the fair value of the consideration to be paid in the future for goods and services received, whether billed to the Company or not.

3.18 Provisions

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

3.19 Impairment

The carrying amounts of the Company's Assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the Asset's recoverable amount is estimated and Impairment Losses are recognized in the Profit and Loss Account.

3.20 Contingencies and Commitments

Unless these are actual liabilities these are not incorporated in the Accounts.

3.21 Segment Reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segments results that reported to the chief decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has two reportable business segments. Spinning (producing different quality of yarn using natural and artificial fibers). Weaving (producing different quality of gray fabric using yarn).

32.2 Related Party Transactions
These are made at arm's length prices determined in accordance with the comparable uncontrolled price method.

	2010 Rupees	2009 Rupees
4. ISSUED, SUBSCRIBED & PAID-UP CAPITAL		
4.1 This comprises of:		
Issued for Cash:		
17,037,542 (2009: 17,037,542) Ordinary Shares of Rs 10 each	170,375,420	170,375,420
Issued as Bonus Shares:		
1,762,200 (2009: 1,762,200) Ordinary Shares of Rs 10 each	17,622,000	17,622,000
	187,997,420	187,997,420

4.2 14,840 Shares (2009: 14,840 Shares) are held by the Subsidiary Company i.e. Naseem Enterprises (Private) Limited (NEPL). Shareholders of both the Companies have approved a scheme for the merger of NEPL in to the Company which has been submitted to Honorable Sindh High Court for its approval. The merger is expected to take place in following financial year.

	2010 Rupees	2009 Rupees
5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
5.1 This is made up as follows:		
Land - Freehold	558,579,566	558,579,566
Buildings - on freehold Land	176,518,136	187,128,966
Plant & Machinery	860,999,170	909,114,940
	1,596,096,872	1,654,823,472
Result from Revaluation during the Year	435,251,804	-
	2,031,348,676	1,654,823,472
Incremental Depreciation on Revaluation (Net of Deferred Tax) transferred to Comprehensive income (Note 5.3)	(50,935,065)	(58,726,600)
	1,980,413,611	1,596,096,872

5.2 The Company has re-valued its entire class of certain assets as at 28th January, 2003. The Revaluation was carried-out by independent Valuers, M/S Hamid Mukhtar & Co., Lahore and has been duly certified by M. Yousaf Adil Saleem & Co., Chartered Accountants. And on 30th June, 2007, again, the Company had carried out revaluation of aforesaid assets through M/S BFA (Private) Limited, Multan. Subsequently, on 30th June, 2010, again, the Company has carried out revaluation of aforesaid assets through M/S Maricon Consultants (Private) Limited, Multan.

5.3 The incremental depreciation charged on re-valued assets during the period has been transferred to retained earnings (un-appropriated profit) to record realization of Surplus to the extent of incremental depreciation to comply with the amendment in Section 235 of the Companies Ordinance, 1984 and further notification of SECP to clarify the treatment of Surplus arising on revaluation of Fixed Assets.

6. LONG TERM FINANCES

6.1 These Comprise of

		2010 Rupees	2009 Rupees
Secured:			
From Banking Companies	(Note 6.2)	1,166,771,282	1,327,346,790
From Suppliers	(Note 6.10)	98,907,275	98,907,275
		1,265,678,557	1,426,254,065
Unsecured: From Directors	(Note 6.11)	216,987,436	217,306,436
		1,482,665,993	1,643,560,501

6.2 LONG TERM FINANCING FROM BANKING COMPANIES AND FINANCIAL INSTITUTIONS

represent secured Term Finances which have been obtained from:

		2010 Rupees	2009 Rupees
Askari Bank Limited	(Note 6.3)	311,546,871	443,403,123
Soneri Bank Limited	(Note 6.4)	34,000,000	40,000,000
Pak Oman Investment Company Limited	(Note 6.5)	56,000,000	64,000,000
Allied Bank Limited	(Note 6.6)	375,442,124	330,912,448
Bank Islami Pakistan Limited	(Note 6.7)	168,750,000	207,750,000
Faysal Bank Limited	(Note 6.8)	172,343,727	241,281,219
MCB Bank Limited	(Note 6.9)	48,688,560	-
		1,166,771,282	1,327,346,790

6.3 TERM FINANCE FROM ASKARI BANK LIMITED is made up as follows:

	2010 Rupees	2009 Rupees
Balance at the beginning of the Year	443,403,122	387,108,918
Add:		
Transferred from Current Portion	-	13,945,128
Received during the year	-	150,000,000
	-	163,945,128
	443,403,122	551,054,046
Less:		
Current Portion Shown under Current Liabilities (Note 11)	131,856,251	107,650,923
Balance at the end of the Year	311,546,871	443,403,123
	-	-

These have been obtained for the import of Plant and Machinery for BMR/Expansion of Spinning Section. These are repayable in 4 to 14 equal half yearly instalments commencing from 25th August, 2009.

These Finances are secured by way of:

(i) First pari passu charge (with Pak Oman Investment Company Ltd.) to the extent of Rs. 350.000 Million (2009: 350.000 Million) on all present and future current and fixed assets of the Spinning Section.

(ii) First pari passu charge (with Bank Islami, Soneri Bank Ltd., & Pak Oman Investment Company Ltd.) to the extent of Rs. 575.000 Million (2009: 575.000 Million) on all present and future fixed assets of the Spinning Section,

(iii) First pari passu charge (with Soneri Bank Ltd., & Pak Oman Investment Company Ltd.) to the extent of Rs. 550.000 Million (2009: Rs. 550.000 Million) on all present and future fixed assets of the Spinning Section.

(iv) Personal Guarantees of the Sponsoring Directors of the Company.

These carry mark-up rates ranging from 13.50% to 15.50% (2009: 6.45% to 13.41%) per annum for DF/TF and SBP rate 5.00% +2.00% (2009: SBP rate 5.00% + 2.00%) per annum for LTF-EOP, payable quarterly.

	2010 Rupees	2009 Rupees
6.4 TERM FINANCE FROM SONERI BANK LIMITED		
is made up as follows:		
Balance at the beginning of the Year	40,000,000	30,000,000
Add: Received during the year	-	30,000,000
	40,000,000	60,000,000
Less: Current Portion Shown under Current Liabilities	6,000,000	20,000,000
Balance at the end of the year	34,000,000	40,000,000

This has been obtained for the import of Plant & Machinery under Letters of Credit. This Loan is secured against pari passu charge over fixed assets of the Company to the extent of Rs. 158.000 Million and is repayable in 14 equal half yearly instalments commencing from 15th January, 2006. These carries Mark-up rates ranging from 14.91% to 16.75% (2009: 11.65% to 15.13%) per annum payable semi annually.

	2010 Rupees	2009 Rupees
6.5 TERM FINANCE FROM PAK OMAN INVESTMENT COMPANY LIMITED		
is made up as follows:		
Balance at the beginning of the Year	64,000,000	56,000,000
Add: Transferred from Current Portion	-	8,000,000
	64,000,000	64,000,000
Less: Current Portion Shown under Current Liabilities	8,000,000	-
Balance at the end of the Year	56,000,000	64,000,000

This has been obtained for the purchase of Plant & Machinery. This is secured against pari passu charge Rs. 96.00 Million over fixed assets of the Company by way of equitable mortgage on Land & Buildings and hypothecation charge on Plant & Machinery of Weaving section and personal guarantees of working directors of the Company. The principal amount is repayable in 16 equal quarterly instalments commencing from 7th March, 2011. These carry mark-up rates ranging from 15.41% to 16.71% (2009: 10.65% to 12.17%) per annum, payable semi annually.

		2010 Rupees	2009 Rupees
6.6 TERM FINANCE FROM ALLIED BANK LIMITED is made up as follows:			
Balance at the beginning of the Year		330,912,448	332,968,110
Add: Received during the Year	(Note 11)	145,000,000	34,207,338
		475,912,448	367,175,448
Less: Current Portion Shown under Current Liabilities		100,470,324	36,263,000
Balance at the end of the Year		375,442,124	330,912,448

This has been obtained for import of Plant and Machinery and Material. This finance is secured against a lien on the import documents, first exclusive charge over fixed assets of the Weaving Unit of Company for Rs. 570 Million and personal guarantees of the working directors. The principal amount is repayable in 24 equal quarterly instalments commencing from 2nd July, 2009. This carries Mark-up ranging from 14.00% to 15.01% (2009: 9.61% to 11.17%) per annum of DF and SBP rate 5% + 2.00% (2009:SBP rate + 2.00%) per annum for LTF-EOP, payable quarterly.

		2010 Rupees	2009 Rupees
6.7 TERM FINANCE FROM BANK ISLAMI is made up as follows:			
Balance at the beginning of the Year		207,750,000	187,500,000
Add: Transferred from Current Portion	(Note 11)	-	31,250,000
		207,750,000	218,750,000
Less:			
Current Portion Shown under Current Liabilities		39,000,000	10,500,000
Payments made during the year		-	500,000
		39,000,000	11,000,000
Balance at the end of the Year		168,750,000	207,750,000

This has been obtained to refinance the existing Machinery with Diminishing Musharika facility previously financed through conventional loan. This is secured against parri pasu charge Rs. 333.333 Million over Fixed assets of the Company with 25% margin and personal guarantees of the working directors. The principal amount is repayable in 52 monthly installments commencing from 1st July, 2009. This carries mark-up rates ranging from 13.93% to 15.01% (2009: 12.65% to 13.47%) per annum, payable monthly.

		2010 Rupees	2009 Rupees
6.8 TERM FINANCE FROM FAYSAL BANK is made up as follows:			
Balance at the beginning of the Year		241,281,219	234,929,349
Add:			
Transferred from Current Portion	(Note 11)	-	6,351,870
		241,281,219	241,281,219
Less: Current Portion Shown under Current Liabilities		68,937,492	-
Balance at the end of the Year		172,343,727	241,281,219

This has been obtained to finance acquisition of spinning section. This is secured by way of 1st pari passu charge over present and future fixed assets amounting to Rs. 450.000 Million of M/S Naseem Enterprises (Private) Limited, a subsidiary entity of the Company and personal guarantees of the working directors of the Company. This is repayable in 7 equal half yearly instalments commencing from 22nd May, 2010. This carries Mark-up ranging from 14.50% to 15.51% (2009: 11.11% to 13.47%) per annum payable quarterly.

6.9 This has been obtained to finance acquisition of Fixed Assets (Gas Generator). This is secured by ranking charge to be upgraded as parri pasu on Gas Generator amounting to Rs. 74.00 Million of the Company and personal guarantees of the working directors of the Company. This is repayable in 8 equal half yearly installments commencing from 20th October, 2011. This carries Mark-up ranging from 10.40% to 14.35% (2009: Nil) per annum payable quarterly.

	2010 Rupees	2009 Rupees
6.10 SUPPLIER'S CREDIT is made up as follows:		
Balance at the beginning of the Year	98,907,275	-
Add: Machinery Acquired during the Year	-	98,907,275
Balance at the end of the Year	98,907,275	98,907,275

This represent Credit amounting to JPY 112.689 Million (2009: JPY 112.689 Million) from Marubeni Tekmatex Corporation- Japan, availed through a 720 days usance Letters of Credit opened by Soneri Bank Limited, Mall Plaza, Multan, effective from 9th September, 2008, for the import of Plant and Machinery for BMR/Expansion of Weaving Section. Subsequently the company obtained extension of more 360 days maturity date will be 30th August, 2011. This includes discount charges amounting to JPY 5.165 Million @ 1 Year LIBOR per annum subject to minimum of 2.5% per annum (2009: @ 1 Year LIBOR per annum subject to minimum of 2.5% per annum).

6.11 LONG TERM FINANCING FROM DIRECTORS

is unsecured, Interest Free and is repayable at the option of the Company. This includes an amount of Rs. 215.000 Million which has been subordinated to the Banks against Long Term Financing and is made up as follows:

	2010 Rupees	2009 Rupees
Balance at beginning of the Year	217,306,436	144,559,331
Add: Received during the year	14,339,616	147,468,120
	231,646,052	292,027,451
Less: Payments made during the year	14,658,616	74,721,015
Balance at the end of the Year	216,987,436	217,306,436

7. DEFERRED LIABILITIES

7.1 These comprise of

		2010	2009
Deferred Taxation	(Note 7.2)	342,544,199	222,218,218
Staff Retirement Benefits	(Note 7 3)	29,145,150	25,342,096
		371,689,349	247,560,314

7.2 DEFERRED TAXATION is in respect of the following temporary differences:

	2010	2009
Taxable Temporary Differences		
Accelerated Depreciation	341,810,043	324,515,428
Export Debtors	4,959,820	682,164
Deductible Temporary Differences		
Staff Gratuity	(4,225,664)	(3,521,572)
Unused Tax Losses	-	(99,457,802)
	342,544,199	222,218,218

	2010 Rupees	2009 Rupees
7.3 STAFF RETIREMENT BENEFITS represent Gratuity and is made up as follows:		
Balance at the beginning of the Year	25,342,096	19,724,947
Expense for the Year	18,247,456	18,492,569
Payments made during the Year	(14,444,402)	(12,875,420)
Present Value of Defined Benefit Obligation	29,145,150	25,342,096
CHARGE FOR THE YEAR in respect of this benefit comprises of:		
Current Service Cost	10,448,424	16,013,271
Interest Cost	3,041,052	2,479,298
Actuarial Losses Recognized	4,757,980	-
	18,247,456	18,492,569

Historical information is as follows:

	2010	2009	2008	2007	2006
Charge for Gratuity	18,247,456	18,492,569	13,393,503	11,343,620	3,686,714

	2010	2009
RECONCILIATION of the amount recognized in Balance Sheet is as follows:		
Present value of defined benefit obligation	24,828,549	25,342,096
Unrecognized Actuarial Gains/(Losses)	(441,379)	-
Unrecognized Past Service Cost	-	-
Liability in Balance Sheet	24,387,170	25,342,096
MOVEMENT IN PRESENT VALUE of Defined benefit Obligation		
Defined Benefit Obligation at the beginning of the Year	25,342,096	19.724,947
Current Service Cost	10,448,424	16,013,271
Interest Cost	3,041,052	2,479,298
Actuarial (Gain)/Losses	441,379	-
Benefit Paid during the Year	(14,444,402)	(12,875,420)
Defined benefit Obligation at the end of the Year	24,828,549	25,342,096

PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation of gratuity was conducted on 30th June, 2010 in accordance with IAS 19 “Employees Benefits” by using Projected Unit Credit Method. Following significant assumptions, were used for the actuarial valuation:

	2010	2009
Discount Rate	12%	12%
Expected Rate of Salary Increase	11%	11%
Average Expected Remaining Working Life of Employees	6 Years	4 Years

		2010 Rupees	2009 Rupees
8. TRADE & OTHER PAYABLES			
8.1 These comprise of:			
Creditors		41,206,089	218,259,325
Accrued Liabilities		82,373,284	62,771,653
Advance from Customers		42,434,323	7,970,274
Income Tax Withheld		5,678,213	5,336,443
Unclaimed Dividend		107,090	107,090
Other Liabilities		3,602,738	2,968,973
Workers’ (Profit) Participation Fund	(Note 8.2)	34,335,135	2,679,633
		209,736,872	300,093,391

	2010 Rupees	2009 Rupees
8.2 WORKERS' (PROFIT) PARTICIPATION FUND is made up as follows:		
Balance at the beginning of the Year	2,679,633	3,533,949
Less: Payments during the Year	2,679,633	3,411,690
Unclaimed Balance	-	122,259
Add: Allocation for the Year	34,335,135	2,557,374
Balance at the end of the Year	34,335,135	2,679,633

9. ACCRUED INTEREST & MARK-UP relates to:

	2010 Rupees	2009 Rupees
Long Term Finances	46,649,196	35,109,969
Short Term Borrowings	69,341,622	79,902,433
Workers' (Profit) Participation Fund	259,031	318,120
	116,249,849	115,330,522

10. SHORT TERM BORROWINGS

10.1 These secured borrowings have been obtained from Commercial Banks and comprise of:

		2010 Rupees	2009 Rupees
Cash/Running Finances	(Note 10.2)	1,203,363,201	1,968,829,946
Pre-shipment Advance	(Note 10.2)	1,344,499,105	584,960,273
Foreign Loan against Trust Receipt		-	39,551,261
		2,547,862,306	2,593,341,480

10.2 These facilities have been obtained from various Commercial Banks against credit facilities with sanctioned limits aggregating Rs. 4,120 Million (2009: Rs. 3,526 Million), The aggregate facilities are secured by a joint pari passu hypothecation charge on all present and future current assets of the Company including Stock in Trade, Trade Debts, Lien on Export Bills and Personal Guarantees of the Working Directors of the Company. The expiry dates of the facilities range from 31st October, 2010 to 30th November, 2011. These facilities carry Mark up rates ranging from 2.23% to 15.50% (2009: from 2.11% to 15.50%) per annum.

	2010 Rupees	2009 Rupees
11. CURRENT PORTION OF LONG TERM LIABILITIES is made up as follows:		
Balance at beginning of the Year	220,258,769	438,922,560
Less Transferred to Long Term Portion	-	93,754,336
	220,258,769	345,168,224
Add: Transferred from Long - Term Portion	354,264,067	174,413,923
	574,522,836	519,582,147
Less: Payments made during the Year	176,997,061	299,323,378
Balance at the end of the Year	397,525,775	220,258,769

12. CONTINGENCIES & COMMITMENTS

12.1 Contingencies

The Company has filed constitutional petition in the Honourable Sind High Court/Appeal in Supreme Court against the imposition of sea dues @ 0.5% (2009: 0.50%) by the Excise & Taxation Officer Karachi against imported goods amounting to Rs. 67.000 Million (2009: Rs. 55.000 Million). In favour of Director Excise and Taxation Karachi, bank guarantees have been issued by Askari Bank Limited, Multan upto Rs. 7.000 Million (2009: Rs. 5.000 Million), by Soneri Bank Limited, Multan up to Rs. 50.000 Million (2009: Rs. 50.000 Million) and by MCB Bank Limited, Multan upto Rs. 10.000 Million(2009: Rs. Nil).

		2010 Rupees	2009 Rupees
Letters of Guarantee issued in favour of:			
Sui Northern Gas Pipelines Ltd.		52,274,700	21,059,300
Utilities Stores Corporation		2,500,000	2,500,000
State Bank of Pakistan		201,704	203,000
		54,976,404	23,762,300
12.2 COMMITMENTS			
Letters of Credit for:			
Capital Expenditure		71,794,000	237,252,000
Raw Material		212,372,000	1,026,429,000
		284,166,000	1,263,681,000

13. PROPERTY, PLANT & EQUIPMENT

13.1 These comprise of:

		2010 Rupees	2009 Rupees
Operating Property Plant & Equipment	(Note 13.2)	4,258,404,902	3,794,569,153
Capital Work in Progress	(Note 13.5)	45,436,000	12,122,788
		4,303,840,902	3,806,691,941

13.2 OPERATING PROPERTY, PLANT & EQUIPMENT are made up as follows:

-- 30th June, 2010 --

Particulars	COST/REVALUATION					DEPRECIATION					W.D.V.
	As at 1st July, 2009	Additions	Deletions	Revaluation	As at 30th June, 2010	Rate %	To 30th June, 2009	On Deletions	Provided for the Year	To 30th June, 2010	As at 30th June, 2010
	---Rupees---						---Rupees---				
LAND - Freehold											
Cost	31,751,416	-	-	-	31,751,416	-	-	-	-	-	31,751,416
revaluation Surplus	558,579,566	-	-	443,579,018	1,002,158,584	-	-	-	-	-	1,002,158,584
	590,330,982	-	-	443,579,018	1,033,910,000	-	-	-	-	-	1,033,910,000
BUILDINGS - on Freehold Land											
Cost - Factory	276,106,581	5,321,940	-	-	281,428,521	5	83,747,633	-	9,647,189	93,394,822	188,033,699
Cost - Non Factory	133,862,691	604,721	-	-	134,467,412	5	43,512,516	-	4,520,029	48,032,545	86,434,867
Revaluation Surplus	263,814,182	-	-	175,972,926	439,787,108	5	50,069,325	-	10,687,242	60,756,567	379,030,541
	673,783,454	5,926,661	-	175,972,926	855,683,041		177,329,474	-	24,854,460	202,183,934	653,499,107
PLANT & MACHINERY											
Cost	2,103,138,502	9,922,098	-	-	2,113,060,600	5	670,906,054	-	71,729,282	742,635,336	1,370,425,264
Revaluation Surplus	1,218,895,588	-	-	(184,300,140)	1,034,595,448	5	195,060,412	-	51,191,759	246,252,171	788,343,277
	3,322,034,090	9,922,098	-	(184,300,140)	3,147,656,048		865,966,466	-	122,921,041	988,887,507	2,158,768,541
POWER HOUSE	95,115,925	156,282,979	-	-	251,398,904	5	16,284,243	-	5,749,972	22,034,215	229,364,689
WEIGHING BRIDGE & SCALE	2,302,374	-	-	-	2,302,374	10	1,137,880	-	116,450	1,254,330	1,048,044
LABORATORY EQUIPMENT	53,355,091	-	-	-	53,355,091	10	23,223,453	-	3,013,164	26,236,617	27,118,474
ELECTRIC INSTALLATION	123,061,464	2,116,115	-	-	125,177,579	5	33,283,533	-	4,529,677	37,813,210	87,364,369
TARPULINE	739,107	-	-	-	739,107	10	353,894	-	38,521	392,415	346,692
TUBE WELL	4,027,495	1,024,445	-	-	5,051,940	10	1,835,203	-	253,377	2,088,580	2,963,360
FURNITURE &FIXTURE	19,402,453	-	-	-	19,402,453	10	7,952,190	-	1,145,026	9,097,216	10,305,237
OFFICE EQUIPMENT	12,996,405	-	-	-	12,996,405	10	4,754,364	-	824,205	5,578,569	7,417,836
VEHICLES	41,850,471	25,749,816	3,021,720	-	64,578,567	20	22,897,523	1,871,048	6,782,798	27,809,273	36,769,294
FIRE FIGHTING EQUIPMENT	4,081,496	-	-	-	4,,081,496	10	1,745,173	-	233,632	1,978,805	2,102,691
TELEPHONE	6,394,361	-	-	-	6,394,361	10	2,134,776	-	425,959	2,560,735	3,833,627
ARMS & AMMUNITION	6,130	-	-	-	6,130	10	5,288	-	84,	5,372	758
TOOLS & EQUIPMENTS	5,206,611	-	-	-	5,206,611	10	1,215,297	-	399,131	1,614,428	3,592,183
GENERATORS	-	-	-	-	-	10	-	-	-	-	-
30th June, 2010 (Rupees)	4,954,687,909	201,022,114	3,021,720	435,251,804	5,587,940,107		1,160,118,756	1,871,048	171,287,497	1,329,535,205	4,258,404,902

------------------ 30th June, 2009 ------------------

Particulars	COST/REVALUATION					DEPRECIATION					W.D.V.
	As at 1st July, 2008	Additions	Deletions	Revaluation	As at 30th June, 2009	Rate %	To 30th June, 2008	On Deletions	Provided for the Year	To 30th June, 2009	As at 30th June, 2009
	--Rupees--					--Rupees--					
LAND - Freehold											
Cost	30,770,434	980,982	-	-	31,751,416	-	-	-	-	-	31,751,416
Revaluation Surplus	558,579,566	-	-	-	558,579,566	-	-	-	-	-	558,579,566
	589,350,000	980,982	-	-	590,330,982	-	-	-	-	-	590,330,982
BUILDINGS - on Freehold Land											
Cost - Factory	273,943,635	275,690	-	-	274,219,325	5	73,027,333	-	10,047,499	83,074,832	191,144,493
Cost - Non Factory	135,606,686	143,261	-	-	135,749,947	5	39,367,542	-	4,817,775	44,185,317	91,564,630
Revaluation Surplus	263,814,182	-	-	-	263,814,182	5	38,819,594	-	11,249,731	50,069,325	213,744,857
	673,364,503	418,951	-	-	673,783,454		151,214,469	-	26,115,005	177,329,474	496,453,980
PLANT & MACHINERY											
Cost	1,948,946,539	154,191,963	-	-	2,103,138,502	5	598,168,034	-	72,738,020	670,906,054	1,432,232,448
Revaluation Surplus	1,218,895,588	-	-	-	1,218,895,588	5	141,174,351	-	53,886,061	195,060,412	1,023,835,176
	3,167,842,127	154,191,963	-	-	3,322,034,090		739,342,385	-	126,624,081	865,966,466	2,456,067,624
POWER HOUSE	95,115,925	-	-	-	95,115,925	5	12,135,207	-	4,149,036	16,284,243	78,831,682
WEIGHING BRIDGE & SCALE	2,302,374	-	-	-	2,302,374	10	1,008,492	-	129,388	1,137,880	1,164,494
LABORATORY EQUIPMENT	53,337,091	18,000	-	-	53,355,091	10	19,875,660	-	3,347,793	23,223,453	30,131,638
ELECTRIC INSTALLATION	119,356,755	3,704,709	-	-	123,061,464	5	28,667,764	-	4,615,769	33,283,533	89,777,931
TARPULINE	739,107	-	-	-	739,107	10	311,093	-	42,801	353,894	385,213
TUBE WELL	4,027,495	-	-	-	4,027,495	10	1,591,615	-	243,588	1,835,203	2,192,292
FURNITURE &FIXTURE	18,399,718	1,138,715	135,980	-	19,402,453	10	6,786,963	57,953	1,223,180	7,952,190	11,450,263
OFFICE EQUIPMENT	12,029,519	966,886	-	-	12,996,405	10	3,886,773	-	867,591	4,754,364	8,242,041
VEHICLES	37,904,025	7,053,114	3,106,668	-	41,850,471	20	21,614,768	2,258,022	3,540,777	22,897,523	18,952,948
FIRE FIGHTING EQUIPMENT	4,081,496	-	-	-	4,081,496	10	1,485,582	-	259,591	1,745,173	2,336,323
TELEPHONE	5,201,886	1,285,475	93,000	-	6,394,361	10	1,737,860	21,665	418,580	2,134,776	4,259,586
ARMS & AMMUNITION	6,130	-	-	-	6,130	10	5,194	-	94	5,288	842
TOOLS & EQUIPMENTS	5,116,511	90,100	-	-	5,206,611	10	774,984	-	440,313	1,215,297	3,991,314
30th June, 2009 (Rupees)	4,788,174,662	169,848,895	3,335,648	-	4,954,687,909		990,438,809	2,337,640	172,017,587	1,160,118,756	3,794,569,153

13.3 DISPOSAL OF OPERATING PROPERTY, PLANT & EQUIPMENT comprises of:

PARTICULARS	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
2 0 1 0					
Vehicles					
Honda Civic - MNZ-9913	1,494,180	892,364	601,816	Negotiation	Mr. Azeem Khan
Honda CD-MNZ - 9704	78,000	64,085	13,915	Insurance Claim	Premier Insurance, 163, Shadman II, Lahore
Honda CD-MNZ - 9911	68,500	56,276	12,224	Insurance Claim	Premier Insurance, 163, Shadman II, Lahore
Honda CD-MNO - 8007	86,050	10,038	76,012	Insurance Claim	Premier Insurance, 163, Shadman II, Lahore
Honda Civic - MNZ-92	692,510	391,130	301,380	Insurance Claim	Premier Insurance, 163, Shadman II, Lahore
Hyundai Santro 999 CC - MLC 671	602,480	457,155	145,325	Negotiation	Farooq Enterprises
30th June, 2010 (Rupees):	3,021,720	1,871,048	1,150,672		
2 0 0 9					
Vehicles					
Honda City 1300 CC	573,000	511,474	61,526	Insurance Claim	EFU Insurance Co., Ground Floor, Rajpoot Plaza, Tareen Road, Multan.
Honda Civic SX, MNU-87	695,532	598,290	97,242	Negotiation	Mrs. Irshad Bibi
Honda Civic 1590CC-MLD-81	1,266,615	726,193	540,422	Negotiation	Mushtaq Ahmad Mahir
Suzuki Alto 800CC - MNO-2345	121,000	94,567	26,433	Negotiation	Zeshan Azhar
Disposal of Coure MLB-735	450,521	327,499	78,027	Negotiation	Farooq Enterprises
Furniture & Fixture					
Disposal of 3 Split A.C's 1.5 Ton	135,980	57,953	78,027	Insurance Claim	EFU Insurance Co., Ground Floor Rajpoot Plaza, Tareen Road, Multan.
Telephone					
Telephone Set	93,000	21,665	78,027	Insurance Claim	EFU Insurance Co., Ground Floor Rajpoot Plaza, Tareen Road, Multan.
30th June, 2009 (Rupees):	3,335,648	2,337,640	959,705		

13.4 DEPRECIATION ALLOWANCE provided for the Year has been allocated as follows:

		2010 Rupees	2009 Rupees
Cost of Goods Manufactured	(Note 29.2)	161,415,939	165,203,542
Administrative Expenses	(Note 31.1)	9,871,558	6,814,045
		171,287,497	172,017,587

		2010 Rupees	2009 Rupees
13.5 CAPITAL WORK IN PROGRESS comprises of			
Factory Buildings		-	604,721
Sui Gas Pipeline		45,436,000	2,490,797
Intangible Asset - Computer Software		-	9,027,270
		45,436,000	12,122,788
14. INTANGIBLE ASSET represents Cost of Computer Software and is made up as follows:			
Capitalized during the Year		9,027,270	-
Addition during the year		1,912,191	-
		10,939,461	-
Less: Amortized during the Year		2,187,892	-
Balance at the end of the Year		8,751,569	-
15. LONG TERM INVESTMENTS			
15.1 These comprise of:			
Investment in Related Party	(Note 15.2)	183,018,000	183,018,000
Other Investments	(Note 15.3)	4,788,787	7,420,394
		187,806,787	190,438,394
15.2 This represents Investment Held for Sale in Naseem Enterprises (Private) Limited, a subsidiary of the Company as follows:			
Number of Share Held		1,858,746	1,858,746
(Including Bonus Shares)		28,566	28,566
Equity Interest Held		99.70%	99.70%
Face Value per Share		100	100
Breakup Value per Share based on net assets as per latest Audited Financial Statements		70.33	112.66
15.3 OTHER INVESTMENTS comprise of:			
Investments Held for Sale	(Note 15.4)	4,529,047	7,160,602
Investment Held to Maturity	(Note 15.5)	259,740	259,792
		4,788,787	7,420,394

15.4 INVESTMENT HELD FOR SALE are not intended to be sold in next twelve months and comprise of:

Quoted Companies	2010	2009	2010 Rupees	2009 Rupees
Kakakhel Pakistan Limited			4,621	4,621
No of Ordinary Shares of Rs. 10 each	150	150		
Per Share Quoted Price at Year End	17.40	22.50		
Fatima Enterprises Limited			6,536,572	6,536,572
No of Ordinary Shares of Rs. 10 each	414,940	414,940		
Per Share Quoted Price at Year End	10.50	17.05		
Mubarak Textile Mills Limited			182,700	182,700
No of Ordinary Shares of Rs. 10 each	66,000	66,000		
Per Share Quoted Price at Year End	1.49	1.25		
Fazal Cloth Mills Limited			55,998	
No of Ordinary Shares of Rs. 10 each	1,615	-		
Per Share Quoted Price at Year End	44.10			
			6,779,891	6,723,893
Fair Value Adjustment			(2,250,844)	436,709
Fair Value as at 30 June, 2010			4,529,047	7,160,602

15.5 INVESTMENT HELD TO MATURITY

Term Finance Certificates issued by Bank Al-Habib Limited on 7th March, 2007 having Redeemable Value amounting to Rs. 7,736.75 per certificate with maturity date of 7th February, 2015 carrying Mark-up @ 6 month KIBOR + 1.95% (2009: 6 month KIBOR + 1.95%) per annum.

16. LONG TERM LOANS & ADVANCES

This represents the unsecured amount advanced by the Company to Sui Northern Gas Pipelines Limited, to meet the cost of Gas Pipeline to be laid for supply of Gas to the weaving unit of the Company at Qadir Pur Rawan, Khanewal Road, Multan. This is recoverable in 12 years including two years grace period in 10 equal annual instalments. This is subject to a Return @ 1.5% (2009: 1.5%) per annum, receivable annually.

17. LONG TERM DEPOSITS & PREPAYMENTS represent to Security Deposits.

		2010 Rupees	2009 Rupees
18. STORES, SPARES & LOOSE TOOLS comprise of:			
Stores		29,561,519	26,497,535
Spares		47,234,305	34,641,172
Loose Tools		16,070	461,386
		76,811,894	61,600,093
19. STOCK IN TRADE comprises of:			
Raw material		1,752,171,035	1,685,686,515
Work in Process		64,621,890	54,342,829
Finished Goods		437,956,615	269,312,807
		2,254,749,540	2,009,342,151
20. TRADE DEBTS			
20.1 These are in respect of:			
Export - Secured	(Note 20.2)	495,982,023	171,815,655
Local - Unsecured Considered Good		263,359,451	161,547,926
		759,341,474	333,363,581

20.2 Secured Debtors represent Foreign Bills under collection against Letters of Credit which are secured against Bank Guarantees.

21. LOANS & ADVANCES

21.1 These are unsecured considered which are considered good by the management and comprise of:

		2010 Rupees	2009 Rupees
Advances to:			
Employees against Salaries	(Note 21.2)	6,160,088	5,050,991
Suppliers of Goods & Services		101,898,908	26,246,869
Due from Related Party	(Note 21.3)	384,660,247	397,147,270
Immature Letters of Credit	(Note 21.4)	4,000,634	308,749,462
Guarantee Margin		3,590,965	915,965
		500,310,842	738,110,557
21.2 Included therein amounts due from Executives		3,932,312	3,120,532

21.3 This represents balance due from Naseem Enterprises (Private) Limited. a subsidiary of the Company. The maximum aggregate balance due at the end of any month is Rs. 426.467 Million (2009: Rs. 397.147 Million).

21.4 These comprise of Opening Charges, Bank Charges & Payments of Documents Cost.

			2010 Rupees	2009 Rupees
22. TRADE DEPOSITS & SHORT TERM PRE-PAYMENTS comprise of:				
Security Deposits			444,329	444,324
Advance Income Tax - Net			-	18,894,367
Other Deposits			-	103,378
Short Term Pre-Payments			770,636	266,366
			1,214,965	19,708,435

23. ACCRUED INTEREST relates to Interest Recoverable from Sui Gas.

			2010 Rupees	2009 Rupees
24. OTHER RECEIVABLES comprise of:				
Sales Tax			38,738,057	28,848,649
Insurance & Cotton Claims			505,713	30,093,106
Others			692,704	2,066,185
			39,936,474	61,007,940

25. SHORT TERM INVESTMENTS comprise of:

	2010	2009	2010 Rupees	2009 Rupees
Held for Sale				
Bank Islami Pakistan Limited			203,044	472,069
No of Ordinary Shares of Rs. 10 each	31,875	31,875		
Per Share Quoted Price at Year End	3.21	6.37		
Fair Value Adjustment			(100,725)	(269,025)
			102,319	203,044
Held for Trading				
Soneri Bank Limited			328,800	745,200
No of Ordinary Shares of Rs. 10 each	30,000	30,000		
Per Share Quoted Price at Year End	2.27	10.96		
NIB Bank Limited			47,500	113,700
No of Ordinary Shares of Rs. 10 each	10,000	10,000		
Per Share Quoted Price at Year End	2.99	4.75		
Oil & Gas Development Company			-	1,091,161
No of Ordinary Shares of Rs. 10 each	-	10,000		
Per Share Quoted Price at Year End	-	78.64		
Pakistan Petroleum Limited			-	33,569,581
No of Ordinary Shares of Rs. 10 each	-	50,000		
Per Share Quoted Price at Year End	-	190		
Fair Value Adjustment			(278,300)	(3,082,842)
			98,000	32,436,800
Fair Value as at 30th June, 2010			200,319	32,639,844

26. TAX REFUNDS DUE FROM GOVERNMENT DEPARTMENTS relates to Income Tax.

		2010 Rupees	2009 Rupees

27. CASH & BANK BALANCES

27.1 These comprise of:

		2010 Rupees	2009 Rupees
Cash in Hand		1,737,929	1,973,329
Cash with Banks in:			
Current Accounts		35,809,103	53,020,136
Saving Accounts	(Note 27.2)	308,039	19,693
Deposit Accounts	(Note 27.3)	9,000,000	16,776
		45,117,142	53,056,605
		46,855,071	55,029,934

27.2 The rate of Interest/Mark-up on Saving Accounts is @ 7.40% to 11% (2009: 6%) per annum.

27.3 These represent Term Deposit Receipt (TDRs) and is subject to a Return @ 12.00% (2009: 7.50% to 10.50%) per annum.

28. SALES

28.1 These are made up as follows:

		2010 Rupees	2009 Rupees
Local Sales:			
Goods		3,441,972,498	2,377,454,968
Waste		160,129,337	105,496,788
	Net Local Sales	3,602,101,835	2,482,951,756
Export Sales:			
Goods	(Note 28.2)	5,079,685,615	3,757,982,800
Waste		4,199,163	8,623,222
		5,083,884,778	3,766,606,022
Exchange Rate Gain		9,328,919	3,396,473
Export Rebate		200,956	822,240
	Net Export Sales	5,093,414,653	3,770,824,735
		8,695,516,488	6,253,776,491

28.2 These include indirect exports amounting to Rs. 119,971,750 (2009: Rs. NIL) against Standard Purchase Orders, made Locally to the Direct Exporters.

29. COST OF SALES

29.1 This is made up as follows:

		2010 Rupees	2009 Rupees
Finished Goods at beginning of the year		269,365,917	180,882,882
Add:			
Cost of Goods Manufactured	(Note 29.2)	6,837,725,677	5,183,600,646
Cost of Goods Purchased		435,246,768	151,705,899
		7,272,972,445	5,335,306,545
		7,542,338,362	5,516,189,427
Finished Goods at end of the year		437,956,615	269,312,807
		7,104,381,747	5,246,876,620

		2010 Rupees	2009 Rupees
29.2 COST OF GOODS MANUFACTURED is made up as follows			
Work in process as at beginning of the year		54,342,829	45,037,357
Raw Material Consumed	(Note 29.3)	5,248,836,274	3,889,220,501
Packing Material Consumed		115,587,860	106,371,672
Stores Consumed		210,691,735	170,652,247
Salaries, Wages & Benefits		376,675,830	312,724,626
Power & Fuel		623,821,949	450,090,073
Insurance		11,534,420	9,410,507
Repair & Maintenance		13,070,385	5,643,550
Processing Charges		5,880,446	2,045,798
Factory Lease Payment		78,000,000	78,000,000
Other Manufacturing Expenses		2,489,900	3,543,602
Depreciation	(Note 13.4)	161,415,939	165,203,542
		6,902,347,567	5,237,943,475
Less: Work in Process at end of the Year		64,621,890	54,342,829
		6,837,725,677	5,183,600,646
29.3 RAW MATERIAL CONSUMED is made up as follows			
Balance at beginning of the Year		1,685,686,515	1,586,928,690
Add: Purchases including Expenses		5,315,320,793	3,987,978,327
Available for Consumption		7,001,007,309	5,574,907,017
Balance at end of the Year		1,752,171,035	1,685,686,515
		5,248,836,274	3,889,220,501
30. DISTRIBUTION COST comprises of			
Export Sales			
Freight, Shipment and Handling Charges		82,595,904	62,776,631
Clearing & Forwarding expenses		4,614,341	2,450,587
Commission on Sales		79,197,257	57,013,813
Insurance Expenses		543,401	487,892
Export Development Surcharge		11,193,013	9,804,930
Others		29,163,049	11,977,199
Local Sales			
Freight, Octroi and Other Charges		4,476,915	29,742,618
Quality Claim		391,653	6,336,321
Sales Promotion Expenses		7,853,732	-
Others		1,308,344	3,115,995
		221,337,610	183,705,985

		2010 Rupees	2009 Rupees

31. ADMINISTRATIVE EXPENSES

31.1 These comprise of:

		2010 Rupees	2009 Rupees
Directors' Remuneration		1,740,000	1,740,000
Staff Salaries & Benefits		64,084,555	60,165,045
Printing & Stationery		441,805	1,104,077
Communication		4,511,998	3,854,285
Sui Gas & Water Charges		1,924,206	967,611
Electricity		965,678	615,889
Insurance		2,726,216	2,507,928
Travelling & Conveyance		15,808,910	5,667,272
Entertainment		1,659,755	924,967
Rent, Rates & Taxes		1,165,923	575,814
Vehicle Running & Maintenance		4,616,582	5,112,187
Repair & Maintenance		1,285,602	2,405,649
Fees & Subscriptions		989,016	970,807
Legal & Professional Charges		1,237,773	951,009
Auditors' Remuneration	(Note 31.2)	615,000	465,000
Advertisement & Publicity		138,713	21,600
ISO Expenses		1,704,341	938,208
Charity & Donations		1,989,466	1,600,215
Newspapers & Periodicals		47,630	51,931
Amortization of Intangible Asset	(Note 14)	2,187,892	-
Depreciation	(Note 13.4)	9,871,557	6,814,045
General Expenses		5,896,543	1,782,426
		125,609,161	99,235,966

31.2 AUDITORS' REMUNERATION relates to:

	2010 Rupees	2009 Rupees
Tariq Ayub, Anwar & Co.,		
Company's Statutory Audit Fee	600,000	450,000
Mehboob Sheikh & Co.,		
Workers' (Profit) Participation Fund Audit Fee	15,000	15,000
	615,000	465,000

32 OTHER OPERATING EXPENSES

32.1 This comprises of:

		2010 Rupees	2009 Rupees
Loss on Investment	(Note 32.2)	278,300	8,505,138
Balance Written Off		6,637,670	-
Workers (Profit) Participation Fund		34,335,135	2,557,374
Workers Welfare Fund		12,747,888	-
		53,998,992	11,062,512

32.2 LOSS ON INVESTMENTS related to investment held for Trading and arises on:

		2010 Rupees	2009 Rupees
Re-Measurement of Investment	(Note 25)	278,300	3,082,842
Sale of Investment		-	5,422,296
		278,300	8,505,138

33. OTHER OPERATING INCOME

33.1 This comprises of:

		2010 Rupees	2009 Rupees
Fine Penalties & Claims	(Note 33.2)	32,453	55,786
Profit on Disposal of Fixed Assets		959,328	480,703
Sale of Salvage		500	2,385,300
Balances Written Back		-	545,960
Dividend Income		515,000	3,397,872
Gain on Sale of Investment Held for Trading		8,289,766	-
Interest Income		21,360	1,384,176
Return on Bank Deposits		307,563	1,127,637
		10,125,970	9,377,434

33.2 This represents penalties on breach of Contract and quality claims against purchase of Cotton from the foreign Suppliers.

34. FINANCE COST is made up as follows:

	2010 Rupees	2009 Rupees
Interest / Mark-up on:		
Short Term Finances	338,749,265	322,364,003
Long Term Finance	167,962,755	127,753,678
Worker's (Profit) Participation Fund	259,031	318,120
Exchange Loss on Foreign Currency Finance	12,298,870	162,424,260
Bank Charges & Commission	48,341,328	60,822,670
	567,611,249	673,682,731

35. TAXATION

35.1 This relates to:

	2010 Rupees	2009 Rupees
Current Year		
Current Taxation	76,661,861	37,887,516
Deferred Taxation	120,325,981	506,136
	196,987,842	38,393,652
Previous Year - Current Taxation	2,845,143	(491,419)
	199,832,985	37,902,233

35.2 Income Tax Assessment up to Assessment Year 2002-2003 has been finalized. Income Tax Returns for Tax Year 2003 to Tax Year 2009 were filed under self assessment scheme in accordance with the provisions of Income Tax Ordinance, 2001, hence deemed to be assessed as declared.

35.3 Relationship between tax expense and accounting profit

Accounting profit before Taxation	632,703,698
Tax Rate %	35%
Tax on Accounting Profit	221,446,294
Tax effect of:	
Income exempt from tax	(2,820,021)
Expenses that are inadmissible in determinating taxable profit	(13,590,070)
Brought forward tax losses	(76,409,020)
Income chargeable to tax at special rate	(51,965,321)
Adjustments of prior years in respect of:	
- Deferred Tax	120,325,981
- Prior Year Taxation	2,845,143
Tax charge for the Year	199,832,986

	2010 Rupees	2009 Rupees
36. EARNING PER SHARE		
36.1 Basic Earning per Share		
Net Earning for the Year	432,870,713	10,687,878
	No.of Shares	
Weighted Average Number of Ordinary Shares outstanding during the Year	18,799,742	18,799,742
Earning per Share	23.03	0.57

36.2 Diluted Earning per Share

There is no dilution effect on the basic earning per share as the Company has no such commitments.

	2010 Rupees	2009 Rupees
37. CASH & CASH EQUIVALENTS comprise of:		
Cash & Bank Balances	46,855,071	55,029,934
Short Term Finances	(2,547,862,306)	(2,593,341,480)
	(2,501,007,235)	(2,538,311,546)

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Executive means an employee whose basic salary exceeds Rs. 500,000/- (2009: Rs. 500,000/-) per year. The aggregate amount charged in the account for the year for remuneration, including certain benefits, to the Chief Executive, Director and executives of the Company is as follow:

	2010 Rupees			2009 Rupees		
PARTICULARS	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Managerial Remuneration	360,000	828,000	10,203,548	360,000	828,000	9,294,400
House Rent	156,000	372,000	652,415	156,000	372,000	624,917
Utility Allowance	24,000	-	-	24,000	-	-
Medical Allowances	-	-	1,020,355		-	900,400
	540,000	1,200,000	11,876,318	540,000	1,200,000	10,819,717
NUMBER OF PERSONS	1	1	17	1	1	14

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

39.1 Financial assets and liabilities of the Company are as follows:

Particulars	2010						
	Rupees						
	Mark-Up Bearing			Non Mark-Up Bearing			Total
	Maturity up to One Year	Maturity after One Year	Sub-Total	Maturity up to One Year	Maturity after One Year	Sub-Total	
Financial Assets							
Long Term Investments	-	-	-	4,529,047	183,277,740	187,806,787	187,806,787
Long Term Loan	-	53,312,000	53,312,000	-	-	-	53,312,000
Long Term Deposits	-	-	-	-	10,502,992	10,502,992	10,502,992
Trade Debtors	-	-	-	759,341,474	-	759,341,474	759,341,474
Loans and advances	-	-	-	496,310,208	-	496,310,208	496,310,208
Trade Deposits	-	-	-	1,214,965	-	1,214,965	1,214,965
Interest Accrued	370,032	-	370,032	-	-	-	370,032
Short Term Investments	-	-	-	200,319	-	200,319	200,319
Dues with Government Deptt.	-	-	-	21,012,443	-	21,012,443	21,012,443
Other Receivables	-	-	-	39,936,474	-	39,936,474	39,936,474
Cash & Bank Balances	9,308,039	-	9,308,039	37,547,032	-	37,547,032	46,855,071
	9,678,071	53,312,000	62,990,071	1,360,091,962	193,780,732	1,553,872,694	1,616,862,765
Financial Liabilities							
Long Term Financing	397,525,775	1,265,678,557	1,663,204,332	-	-	-	1,663,204,332
Trade & Other Payables	-	-	-	209,736,872	-	209,736,872	209,736,872
Interest & Mark up accrued	116,249,849	-	116,249,849	-	-	-	116,249,849
Short Term Finances	2,547,862,306	-	2,547,862,306	-	-	-	2,547,862,306
	3,061,637,930	1,265,678,557	4,327,316,487	209,736,872	-	209,736,872	4,537,053,359
On Balance Sheet Gap	(3,051,959,859)	(1,212,366,557)	(4,264,326,416)	1,150,355,090	193,780,732	1,344,135,822	(2,920,190,594)

Particulars	2009						
	Rupees						
	Mark-Up Bearing			Non Mark-Up Bearing			Total
	Maturity up to One Year	Maturity after One Year	Sub-Total	Maturity up to One Year	Maturity after One Year	Sub-Total	
Financial Assets							
Long Term Investments	-	-	-	7,160,602	183,277,792	190,438,394	190,438,394
Long Term Deposits	-	-	-	-	10,047,914	10,047,914	10,047,914
Trade Debtors	-	-	-	333,363,581	-	333,363,581	333,363,581
Loans and advances	-	-	-	429,361,095	-	429,361,095	429,361,095
Trade Deposits	-	-	-	19,708,435	-	19,708,435	19,708,435
Interest Accrued	892,752	-	892,752	-	-	-	892,752
Short Term Investments	-	-	-	32,639,844	-	32,639,844	32,639,844
Dues with Government Deptt.	-	-	-	21,912,360	-	21,912,360	21,912,360
Other Receivables	-	-	-	61,007,940	-	61,007,940	61,007,940
Cash & Bank Balances	36,469	-	36,469	54,993,465	-	54,993,465	55,029,934
	929,221	-	929,221	960,147,322	193,325,706	1,153,473,028	1,154,402,249
Financial Liabilities							
Long Term Financing	220,258,769	1,426,254,065	1,646,512,834	-	-	-	1,646,512,834
Trade & Other Payables	-	-	-	300,093,391	-	300,093,391	300,093,391
Interest & Mark up accrued	115,330,522	-	115,330,522	-	-	-	115,330,522
Short Term Finances	2,593,341,480	-	2,593,341,480	-	-	-	2,593,341,480
	2,928,930,771	1,426,254,065	4,355,184,836	300,093,391	-	300,093,391	4,655,278,227
On Balance Sheet Gap	(2,928,001,550)	(1,426,254,065)	(4,354,255,615)	660,053,931	193,325,706	853,379,637	(3,500,875,978)

39.2 FINANCIAL RISK FACTORS

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

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

a) Market Risk

i) Currency Risk

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

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Japanese Yen. Currently, the Company's foreign exchange risk exposure is restricted to bank balances and amounts receivables/ payables from / to the foreign entities. The Company exposure to currency risk was as follows:

	2010 USD	2009 USD	2010 Rupees	2009 Rupees
Trade Debts	5,804,802	2,297,615	495,982,023	171,815,655
Trade and Other Payables	(400,051)	(1,932,718)	(34,168,361)	(156,550,190)
Net Exposure	5,404,751	364,897	461,813,662	15,265,465

The following significant exchange rates have been applied:

	Average Rate		Reporting Rate	
	2010	**2009**	**2010**	**2009**
USD to PKR	85.43	78.04	85.60	81.15

Sensitivity Analysis:

At reporting date, if the PKR had strengthened by 10% (2009: 10%) against the foreign currencies with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign debtors and outstanding letter of credits.

Effect on Profit & Loss		
Trade Debts	49,598,202	17,181,566
Trade and Other Payables	(3,416,836)	(15,655,019)
Short Term Borrowings as FE-25 imports/Export Loan	(134,449,911)	(58,496,027)
Accrued Markup on FE 25 Import/Export Loans	(1,864,126)	(2,051,261)
Net Exposure	(90,132,671)	(59,020,742)

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the post tax profit.

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

ii) Price Risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), Other price risk arises from the Company's investment in ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Company actively monitors the key factors that affect stock price movement.

iii) Interest Rate Risk

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Effective Percentage		Carrying Amount	
Financial Liabilities	**2010**	**2009**	**2010**	**2009**
Fixed Rate Instruments				
Long Term Financing	7	7	463,833,798	441,985,925
Variable Rate Instruments				
Long Term Financing	10.4 - 16.75	6.45 - 15.13	1,416,357,970	1,421,833,345
Short Term Borrowings	2.23 - 15.50	2.11 - 15.50	2,547,862,306	2,593,341,480

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

Cash change in 1% in interest rates at the reporting date would have decreased/(increased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis performed on the same basis for 2009.

	Profit & Loss 1%	
	Increase	**Decrease**
As at 30 June 2010		
Cash flow sensitivity - Variable rate financial liabilities	(21,292,241)	21,292,241
As at 30 June 2009		
Cash flow sensitivity - Variable rate financial liabilities	(20,152,344)	20,152,344

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

b) Credit Risk

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

	2010 Rupees	2009 Rupees
Investments	4,989,106	40,060,238
Loans and Advances	9,751,053	5,966,956
Deposits	10,947,321	10,595,616
Trade Debts	759,341,474	333,363,581
Other Receivables	692,704	2,066,185
Bank Balances	45,117,142	53,056,605
	830,838,800	445,109,181

The Credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2010	2009
	Short Term	Long Term	Agency	Rupees	Rupees
National Bank of Pakistan	A-1+	AAA	JCR-VIS	335,258	3,160
Allied Bank Limited	A1+	AA	PACRA	73,518	54,172
Askari Bank Limited	A1+	AA	PACRA	16,331,113	-
Bank Alflah Limited	A1+	AA	PACRA	720,424	451,089
Faysal Bank Limited	A1+	AA	PACRA	20,500	5,787
Habib Bank Limited	A1+	AA+	JCR-VIS	256,236	455,108
The Bank of Punjab	A1+	AA-	PACRA	830	3,686
Soneri Bank Limited	A1+	AA-	PACRA	17,099,632	48,990,990
MCB Bank Limited	A1+	AA+	PACRA	51,312	339,770
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	3,437,760	1,248,865
NIB Bank Limited	A1+	AA-	PACRA	6,358	6,678
RBS Bank	A1+	AA	PACRA	9,704	9,705
Silk Bank Limited	A-3	A-	JCR-VIS	31,890	32,528
Standard Chartered Bank	A1+	AAA	PACRA	1,157,693	22,430
KASB Bank Limited	A2	A-	PACRA	61,488	63,301
Meezan Bank Limited	A1	A+	JCR-VIS	3,650,018	1,098,271
Bank Al-Habib Limited	A1+	AA+	PACRA	74,960	14,408
Bank Islami Limited				20,847	20,847
Bank of Khyber				10,500	
Al-Baraka Islamic Bank	A-1	A	JCR-VIS	1,767,101	235,810
				45,117,142	53,056,605

Due to Company's long outstanding business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

c) **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of founding through an adequate amount of committed credit facilities. At 30 June 2010, the Company had Rs. 1,572.199 Million (2009: Rs. 932.958 Million) available borrowings limits from financial institutions and Rs. 46,855,071/- (2009: Rs. 55,029,933/-) cash and bank balances. Inspite the fact that the Company is in a negative working capital position at the year end, management believes the liquidity risk to be low. Following are the maturities of financial liabilities. The amount disclosed in the table are undiscounted cash flows:

Financial Liabilities Maturities as at 30th June, 2010:

	Carrying Amount	6 Month or Less	6-12 Month	1-2 Years	More than 2 Years
			Rupees		
Long Term Financing	1,663,204,332	204,014,902	201,628,195	502,062,387	755,498,848
Trade and Other Payables	127,289,201	-	-	-	-
Short Term Borrowings	2,547,862,306	-	2,547,862,306	-	-

Financial Liabilities Maturities as at 30th June, 2009:

	Carrying Amount	6 Month or Less	6-12 Month	1-2 Years	More than 2 Years
			Rupees		
Long Term Financing	1,646,512,834	79,970,398	137,260,370	439,163,478	990,118,588
Trade and other Payables	284,107,041	157,895,138	126,314,685	-	-
Short Term Borrowings	2,593,341,480	1,456,987,897	1,136,353,583	-	-

39.3 Fair Value of Financial Assets and Liabilities

The carrying value of all financial assets and liabilities reflected in Financial Statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

39.4 Financial Instruments by Categories
As at 30th June 2010

Assets as per Balance Sheet

	Loans and Advances	Fair Value	Available	Held to
		Rupees		
Investments	-	98,000	4,631,366	259,740
Loans and Advances	9,751,053	-	-	-
Deposits	10,947,321	-	-	-
Trade Debts	759,341,474	-	-	-
Other Receivables	692,704	-	-	-
Cash and Bank Balances	46,855,071	-	-	-
	827,587,623	98,000	4,631,366	259,740

Liabilities as per Balance Sheet

	Financial Liabilities at Amortized Cost
	Rupees
Long Term Financing	1,880,191,768
Accrued Mark-up	116,249,849
Short Term Borrowings	2,547,862,306
Trade and Other Payables	127,289,201
	4,671,593,124

As at 30th June 2009

Assets as per Balance Sheet

	Loans and Advances	Fair Value	Available	Held to Maturity
	----------Rupees----------			
Investments	-	32,436,800	7,363,646	259,792
Loans and advances	5,966,956	-	-	-
Deposits	10,595,616	-	-	-
Trade Debts	333,363,581	-	-	-
Other Receivables	2,066,185	-	-	-
Cash and Bank Balances	55,029,934	-	-	-
	407,022,272	32,436,800	7,363,646	259,792

Liabilities as per Balance Sheet

	Financial Liabilities at Amortized Cost
	Rupees
Long Term Financing	1,646,512,834
Accrued Mark-up	115,330,522
Short Term Borrowings	2,547,862,306
Trade and Other Payables	284,107,041
	4,593,812,703

39.5 Capital Risk Management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce to cost of capital.

In orders to maintain or adjust the capital structure, the Company may adjust the amount through return capital to shareholders through repurchase of shares, right issue, issue new shares, obtain loan from sponsors or sell assets to reduce debt.

Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. The ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred to in Note 6 and 10 respectively. The capital employed includes 'Total Equity' as shown in the balance sheet plus 'Borrowings' and 'Directors Loan.

	2010 Rupees	2009 Rupees
The gearing ratio of the Company as on the balance sheet date was as follows:		
Borrowings	4,211,066,638	4,239,854,314
Directors Loan	216,987,436	217,306,436
Total Debt	4,428,054,074	4,457,160,750
Total Equity	1,158,873,548	677,856,047
Total Capital Employed	5,586,927,622	5,135,016,797
Gearing Ratio	79.26%	86.80%

40. SEGMENT REPORTING

40.1 Reportable Segments

The Company's reportable segments are as follows:

- Spinning segment - production of different quality of yarn using natural and artificial fibers
- Weaving segment - production of different quality of gray fabric using yarn.

Information regarding the Company's reportable segments is presented below:

40.2 Segments Revenue and Results

Follows is an analysis of the Company's revenue and results by reportable segments

	Spinning	Weaving	Elimination of Inter Segment Transactions	Total
	---------------------- Rupees ----------------------			
For the year ended 30 June 2010				
Sales	7,112,209,217	1,926,402,653	(343,095,382)	8,695,516,488
Cost of Sales	(5,654,739,643)	(1,792,737,486)	343,095,382	(7,104,381,747)
Gross Profit	1,457,469,574	133,665,167	-	1,591,134,741
Allocated Income and Expenses				
Distribution Cost	(160,610,086)	(60,727,524)	-	(221,337,610)
Administrative Expenses	(99,663,036)	(24,235,948)	-	(123,898,984)
Other Operating Income	9,743,922	382,048	-	10,125,970
	(250,529,200)	(84,581,424)	-	(335,110,624)
Profit before tax and unallocated expenses	1,206,940,374	49,083,743	-	1,256,024,117
Unallocated Expenses				
Administrative Expenses				(1,710,177)
Other operating expenses				(53,998,992)
Finance cost				(567,611,249)
Taxation				(199,832,985)
				(823,153,403)
				432,870,713

Profit after Taxation

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3 to the financial statements. administrative expenses are apportioned on the basis of actual expenses incurred for the segments. Finance cost relating to long term loan is also allocated on the basis of purpose of loan for which it is obtained. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

40.3 Gross Revenue from Major Products and Services

	2010 Rupees	2009 Rupees
Yarn Export Sale	2,627,854,532	1,822,371,139
Fabric Export Sale	814,117,966	555,083,829
Waste Export Sale	160,129,337	105,496,788
Yarn Local Sale	3,704,422,117	2,767,982,007
Fabric Local Sale	1,375,263,498	990,000,793
Waste Local Sale	4,199,163	8,623,222
	8,685,986,613	6,249,557,778

40.4 Geographical Information

(a) The Company's gross revenue percentage from external customers by geographical location is detailed below:

	2010 Percentage	2009 Percentage
Domestic	44.22	39.73
Asia	50.23	51.92
Europe	4.99	7.60
America	0.55	0.75
	100.00	100.00

(b) All non-current assets of the Company as at 30 June 2010 are located and operating in Pakistan

40.5 Segment Assets and Liabilities

(a) Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Spinning	Weaving	Total
For the year ended 30 June 2010	-----------------	Rupees	-----------------
Segment assets for reportable segment	3,241,079,199	1,017,325,703	4,258,404,902
Corporate assets	3,572,732,442	433,879,960	4,006,612,402
Unallocated corporate assets	-	-	-
Total assets as per balance sheet	6,813,811,641	1,451,205,663	8,265,017,304
Segment liabilities for reportable segment	952,316,594	530,349,399	1,482,665,993
Corporate liabilities	5,861,495,047	920,856,264	6,782,351,311
Unallocated corporate liabilities	-	-	-
	6,813,811,641	1,451,205,663	8,265,017,304

(b) For the purpose of monitoring segment performance and allocating resources between segment operating property, plant & equipment is allocated to reportable segments and all other assets are held under allocated corporate assets: and

long term loan is allocated to reportable segment and all other liabilities (i.e) surplus on revaluation of fixed assets, deferred liabilities, trade and other payable, short term borrowings and accrued mark up are held under allocated corporate liabilities.

41. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise subsidiary undertaking and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in Note 35. Other significant transactions with related parties are as follows:

	2010 Rupees	2009 Rupees
Description		
Sale of Assets	8,664,318	28,530,351
Factory Lease Payments	78,000,000	78,000,000
Mark up	50,282,027	34,904,617
Lending/(Borrowing) of Funds	384,660,247	397,147,270

All Transactions with related parties have been carried out on commercial terms and conditions.

42. PLANT CAPACITY & ACTUAL PRODUCTION

	2010	2009
Spinning Section (Owned Capacity)		
Number of Spindles Installed	55,800	55,800
Number of Spindles Worked	55,760	55,736
Number of Rotors Installed	2,000	2,000
Number of Rotors Worked	2,000	2,000
Number of Shifts Worked per Day	3	3
Capacity at 20/S Count (Kgs.)	20,440,118	20,440,118
Actual Production Converted into 20/S Count (Kgs.)	17,956,248	17,463,835
Leased Capacity		
Number of Spindles Installed	20,640	20,640
Number of Spindles Worked	18,453	19,046
Number of Shifts Worked per Day	3	3
Actual Production Converted into 20/S Count. (Kgs.)	5,013,262	5,210,542
Capacity at 20/S Cunt (Kgs.)	7,560,646	7,560,646
Weaving Section		
Number of Looms Installed	120	120
Number of Looms Worked	120	120
Number of Spindles Worked per day	3	3
Capacity at 50 picks/inch - 365 days (2009: 365 days) Meters	29,471,525	29,471,525
Actual Production Converted into 50 picks/inch Meters	23,571,213	23,112,011

It is difficult to describe precisely the production capacity in Spinning/Weaving Mills since it fluctuates widely depend on various factors such as count of yarn spun, spindles speed, twist and raw materials used, etc. It also varies according to the pattern of production adopted in a particular Year. The reason for under utilization of available capacity is attributable to normal Repair & Maintenance, Power failures and count changes.

43. FIGURES

43.1 In these Financial Statements figures have been rounded off to the nearest Rupee.

43.2 The corresponding figures of the previous Year have been re-arranged, wherever necessary, to facilitate comparison. The following material re-arrangements, reclassifications & restatements have been made in these Financial Statements:

NATURE	RUPEES	FROM	TO	REASON
Discounting of Local LC	1,415,268	Distribution Cost	Finance Cost	Transfer to Appropriate Head
Loss on Sale of Investment Held for Trading	(5,422,296)	Other Operating Income	Other Operating Expenses	Transfer to Expense A/c
Loss on Re-measurement of Investment held for Trading	(3,082,842)	Other Operating Income	Other Operating Expenses	Transfer to Expense A/c
Cost of Yarn transferred to Weaving Section	(249,920,381)	Raw Material Consumed	Inter Unit Transfer	Elimination of Effect of Inter Unit Transfer

44. DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements were authorized for issue by the Board of Directors of the Company on 2nd October, 2010.

Lahore:	sd/-	sd/-
2nd October, 2010	DIRECTOR	CHIEF EXECUTIVE