QUETTA TEXTILE MILLS IMITED

Annual Report 2010

For the Year Ended June 30, 2010

CONTENTS

QUETTA TEXTILE MILLS LIMITED
CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Khalid Iqbal (Chief Executive) Mr. Tariq Iqbal Mr. Daanish Javed Mr. Asim Khalid Mr. Omer Khalid Mrs. Najma Javed Mrs. Tabbasum Tariq
AUDIT COMMITTEE	Mr. Asim Khalid (Chairman) Mrs. Najma Javed (Member) Mrs. Tabbasum Tariq (Member)
CHIEF FINANCIAL OFFICER	Mr. Omer Khalid
COMPANY SECRETARY	Mr. Muhammed Sohrab Ghani
AUDITORS	Mushtaq and Company Chartered Accountants 407 / 4th Floor, Commerce Centre Hasrat Mohani Road, Karachi
BANKERS	Allied Bank Limited Al-Baraka Islamic Bank B.S.C. (E.C) Summit Bank Ltd (Formerly Arif Habib Bank Ltd.) Askari Bank Limited Atlas Bank Limited Bank Al-Falah Limited Dawood Islamic Bank Limited. Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited KASB Bank Limited MCB Bank Limited Meezan Bank Limited National Bank of Pakistan Royal Bank of Scotland Soneri Bank Limited Silk Bank Limited Standard Chartered Bank (Pakistan) Ltd United Bank Limited
REGISTERED OFFICE	Nadir House (Ground Floor) I. I. Chundrigar Road, Karachi
MILLS	P/3 & B/4, S.I.T.E., Kotri 49 K.M. Multan Road, Bhai Pheru

Quetta Textile Mills Limited

ADDENDUM

Addendum to notice of Annual General Meeting dated October 08, 2010 for the year ended June 30, 2010.

To All Shareholders

Sub: Revision of proposed resolution relating to the remuneration of Chief Executive and Directors.

Addendum 1 Dated: October 25, 2010

Revised resolution as per this Addendum No.1 dated October 25, 2010 is as under;

"**Resolved that** an amount not exceeding Rs.1,200,000 each will be paid as the managerial remuneration to the Chief Executive and directors of the company with effect from July 1, 2010. All permissible perquisites such as company's maintained cars, residential utilities bills and medical facility with cost estimated not exceeding to Rs. 1,200,000 per annum per director, Chief Executive and their spouse will be also be payable . Travelling local and foreign will also be payable at actual to all Directors, Chief Executive and their spouse".

Old Resolution as per notice of meeting dated October 08, 2010 was as under;

"**RESOLVED THAT** the Company hereby authorizes the holding of offices of profit and payment as remuneration of Chief Executive and Directors not exceeding Rupees 720,000 per annum with effect from January 1, 2010, inclusive of perquisites and benefits to which he is entitled under his term of employment, and for remainder of the term remuneration per annum not exceeding the said amount as increased by the sums that may be applicable under respective terms of employment."

Inconvenience is highly regretted.

For **Quetta Textile Mills Limited**

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Company Secretary

C.C.: Secretary Stock Exchange Karachi.
SECP Islamabad
SECP Karachi

QUETTA TEXTILE MILLS LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN of the 45th Annual General Meeting of the Shareholders to be held on Saturday, October 30, 2010 at 09.00 a.m. at the Registered office of the company at Nadir House, Ground floor, I.I Chundrigar Road, Karachi to transact the following business.

1. To confirm the minutes of the 44th General Meeting held on October 31, 2009.
2. To receive, consider and approve the Audited Accounts and Directors Report thereon for the year ended June 30, 2010.
3. To appoint Auditors for the year 2010-2011 and fix their remuneration.
4. To transact any other business with the permission of the Chairman.

5. To approve 20% cash dividend for the year ended June 30, 2010 as recommended by the Board of Directors

SPECIAL BUSINESS

6. To consider and approved the remuneration payable to Chief Executive and Directors of the company.

By order of the Board
MOHAMMAD SOHRAB GHANI
Company Secretary

Karachi: October 08, 2010

1. A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. Proxies in order to be valid must be received at the registered office of the company 48 Hours before meeting commences.

2. For the purpose of entitlement of dividend, the Register of the members of the company will remain closed at registered office from October 29, 2010 to November 05, 2010 (both days inclusive) and dividend approved will be paid to such members whose name appear in the Company's register of member at the close of business on October 28, 2010

3. Guidelines for CDC Account Holders for personal attendance:
   i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per Regulations, shall authenticate his / her identity by showing his/her original NIC at the time of attending the meeting
   ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

4. Shareholders are required to promptly notify at registered office of the company of any change in their address.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984
This statement sets out material facts concerning the Special Business to be transacted at the 45th Annual General Meeting of Quetta Textile Mills Limited to be held on October 30, 2010.

ITEM No. 5 OF THE AGENDA
Approval of the shareholders will be sought for the remuneration payable to Chief Executive and Directors in accordance with their terms and conditions of service. For this purpose it is intended to propose that the following resolution be passed as a Special Resolution, namely.

“RESOLVED THAT the Company hereby authorizes the holding of offices of profit and payment as remuneration to Chief Executive and Directors not exceeding Rupees 720,000 per annum with effect from January 1, 2010, inclusive of perquisites and benefits to which he is entitled under his term of employment, and for the remainder of the term remuneration per annum not exceeding the said amount as increased by the sums that may be applicable under respective terms of employment.

FURTHER RESOLVED THAT in the event of any of the aforesaid offices of profit falling vacant, the approval hereby given shall, subject to the terms of appointment, be equally applicable to any other person appointed to fill such vacancy”.

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS

407-Commerce Centre
Hasrat Mohani Road
Karachi-74200
Pakistan

Tel: +92-21-32638521-4
Fax: +92-21-32639843
E-mail: mushtaqco@hmiml.com

Branch Office:
20-B, Block-G
Gulberg-III
Lahore-54660

Tel: +92-42-35884926, 35865618
Fax: +92-42-35843360
E-mail:mushtaqcolhr@hmiml.com

REVIEW REPORT TO THE MEMBERS

On the Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Quetta Textile Mills Limited** to comply with the Listing Regulation No. 35 (previous regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited where the company is listed.

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

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

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

Karachi:
Dated: ____________

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Shahabuddin A. Siddiqui

QUETTA TEXTILE MILLS LIMITED
SUMMARY OF FINANCIAL DATA 2005-2010

	June 2005- 9 Months	June-30 2006	June-30 2007	June-30 2008	June-30 2009	June-30 2010
Profit and Loss						
Net sales (Rs.000)	2,739,162	4,562,635	4,912,815	5,769,155	7,514,898	9,334,111
Gross Profit (Rs.000)	251,825	396,000	500,414	593,843	1,337,706	1,707,970
Profit before tax (Rs.000)	113,702	91,291	144,334	46,556	98,968	375,591
Profit after tax (Rs.000)	85,504	52,633	83,197	27,187	30,721	255,034
Cash Outflows						
Taxes paid (Rs.000)	14,763	6,855	51,087	56,467	31,468	51,583
Financial charges paid (Rs.000)	132,907	289,559	265,246	501,913	859,771	958,328
Fixed capital expenditures (Rs.000)	924,575	844,277	516,070	863,987	458,072	156,914
Balance sheet						
Current assets (Rs.000)	1,855,513	2,104,795	2,225,983	3,254,813	3,857,386	3,552,358
Current liabilities (Rs.000)	1,969,999	2,419,535	2,246,671	3,568,583	4,408,998	4,069,031
Operating fixed assets (Rs.000)	2,019,550	2,803,300	3,340,924	3,972,109	4,871,288	4,775,130
Total assets (Rs.000)	4,389,778	5,177,570	5,661,208	7,513,237	8,912,046	8,508,101
Long term loans and finances (Rs.000)	1,422,649	1,554,972	2,090,583	2,164,689	2,123,703	1,743,354
Share holders' equity (Rs.000)	485,306	534,308	612,897	413,903	1,263,353	1,536,724
Ratios						
Current ratio (As per SBP regulations)	0.95	0.87	0.99	0.91	0.87	0.87
Equity: Debt ratio (As per SBP regulations)	0.37	0.39	0.35	0.35	**0.39**	**0.48**
Leverage	3.29	3.37	3.27	3.69	3.35	2.74
Gross profit to sales	9.2%	8.7%	10.2%	10.3%	17.8%	18.3%
Net Profit before tax to sales	4.15%	2.00%	2.94%	0.81%	1.32%	4.02%
Earning per share	27.36	16.84	26.62	8.70	9.83	28.26
Proposed Dividend	15%	15%	15%	NIL%	NIL%	20%

PATTERN OF SHAREHOLDING (FORM - A)

Pattern of holding of the shares held by the shareholders as at 30-06-2010 is given below

No of Shareholders	Shareholding					Total Share Held
92	From	1	To	100	Shares	2,184
47	From	101	To	500	Shares	16,196
24	From	501	To	1000	Shares	18,880
20	From	1,001	To	5,000	Shares	42,931
7	From	5,001	To	10,000	Shares	50,426
5	From	10,001	To	15,000	Shares	61,458
2	From	15,001	To	20,000	Shares	38,402
1	From	20,001	To	25,000	Shares	24,272
2	From	25,001	To	30,000	Shares	25,884
2	From	30,001	To	35,000	Shares	67,926
1	From	40,001	To	45,000	Shares	42,460
1	From	50,001	To	55,000	Shares	52,082
1	From	110,001	To	115,000	Shares	114,757
1	From	155,001	To	160,000	Shares	156,358
1	From	160,001	To	165,000	Shares	161,114
1	From	170,001	To	175,000	Shares	173,158
1	From	190,001	To	195,000	Shares	193,358
1	From	210,001	To	215,000	Shares	214,663
1	From	215,001	To	220,000	Shares	218,610
1	From	235,001	To	240,000	Shares	238,438
3	From	245,001	To	250,000	Shares	743,183
1	From	265,001	To	270,000	Shares	267,368
1	From	280,001	To	285,000	Shares	281,686
1	From	310,001	To	315,000	Shares	313,167
2	From	325,001	To	330,000	Shares	656,906
1	From	375,001	To	380,000	Shares	377,137
1	From	390,001	To	395,000	Shares	393,760
1	From	415,001	To	420,000	Shares	419,375
1	From	435,001	To	440,000	Shares	437,393
1	From	445,001	To	450,000	Shares	449,205
1	From	470,001	To	475,000	Shares	471,318
1	From	495,001	To	500,000	Shares	496,921
1	From	530,001	To	535,000	Shares	530,384
2	From	565,001	To	570,000	Shares	1,132,094
1	From	580,001	To	585,000	Shares	582,002
1	From	595,001	To	600,000	Shares	595,177
1	From	605,001	To	610,000	Shares	607,303
1	From	630,001	To	635,000	Shares	631,983
1	From	690,001	To	695,000	Shares	694,353
1	From	1,005,001	To	1,010,000	Shares	1,005,728
236			**Total**			**13,000,000**

Categories of Shareholders	No of Sharehoders	Share Held	Perentage
Individuals	225	12,915,584	99.35
Investment Companies	1	250	0.00
Insurance Companies	1	52,082	0.40
Joint Stock Companies	5	16,032	0.12
Financial Institutions	3	16,051	0.12
Securities & Exchange Commission of Pakistan	1	1	0.00
Total	**236**	**13,000,000**	**100.00**

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS

407-Commerce Centre
Hasrat Mohani Road
Karachi-74200
Pakistan

Tel: +92-21-32638521-4
Fax: +92-21-32639843
E-mail: mushtaqco@hmiml.com

Branch Office:
20-B, Block-G
Gulberg-III
Lahore-54660

Tel: +92-42-35884926, 35865618
Fax: +92-42-35843360
E-mail:mushtaqcolhr@hmiml.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Statement of financial position of **Quetta Textile Mills Limited** as at June 30, 2010 and the related income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by 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 verifications, we report that;

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

(b) in our opinion;

(i) the statement of financial position and income statement account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, income statement, statement of comprehensive income, statement of cash flow and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2010 and of the loss, comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

Karachi:
Dated: ____________

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Shahabuddin A. Siddiqui

QUETTA TEXTILE MILLS LIMITED

CHIEF EXECUTIVE`S REVIEW REPORT

Dear Shareholders:

It is a pleasure to present the results of the company for the year ended June 30, 2010.

Your company earned a profit before tax of Rs.375.591 (M) as compared to Rs.98.968 (M) last year. Turnover for the year ended was Rs.9.3 (B), as compared to corresponding year 2009 amounting to Rs.7.5 (B), showing an increase of 24.21%. The increase in prices of yarns and fabrics in the local and export markets have resulted in improved profit after tax from Rs.30.72 (M) to Rs.255.03 (M).

During the period under review, local and international yarn prices recovered considerably, more than expected. Demand for yarns and fabrics grew due to low level of global inventories. Global cotton prices have increased to record levels, and have reached to new levels which have never been seen before. Similarly, yarn prices have also increased to very high levels. All this contributed to the profitability of the company.

Neighboring competing countries like India, Bangladesh, Sri Lanka and Indonesia have been giving export subsidies, interest rate subsidies to keep their spinning industry alive so that their spinning industry remains strong to feed the value-added sector, including the contribution for export earnings. The Pakistani textile spinning industry was pushed back into crisis with the imposition of yarn export quota. To make matters worse, 15% Regulatory Duty was imposed to further restrict yarn exports.

Electricity and gas load-shedding is still a major issue. Previously, gas load-shedding was made only during winter season, i.e., December and January. Despite government assurances for un-disturbed electricity and gas supply to the industry, this year gas load-shedding was witnessed during the summer season also which badly affected the productions. Gas load-shedding forced us to run our mills on HFO which increased our energy costs substantially.

BMR in our spinning and weaving units is under-way. This has been planned to cut down our over-head costs. We expect that for the next 3-4 years, the yarn prices will remain high due to increase world demand of yarns and fabrics.

It seems that cotton prices will remain high this year. This has nearly doubled the short-term borrowing requirements of the company. SBP must act urgently to make the required finance available so that timely procurement of quality cotton is made.

In the end I would like to thank all the financial institutions for their continued support and confidence they have showed towards the company. To the workers, staff and officers, I extend my gratitude for their dedication and honesty.

KHALID IQBAL
Chief Executive
Karachi: October 08, 2010

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes two non-executive Directors and none representing minority share holders.

2. The Directors have voluntarily confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. The Directors have voluntarily declared that all the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the Directors is a member of a stock exchange.

4. During the year, no casual vacancies occurred in the Board of Directors.

5. The Board have developed and adopted a “Statement of Ethics and Business Practices” which is regularly circulated within the Company and it is in the knowledge of Company's Directors and employees.

6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive Directors, have been taken by the Board.

8. The meetings of the Board, which were held during the year were presided by the Chairman and in his absence, by a director elected by the Board for this purpose and Board met at least once in every Quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated in time.

9. The Directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange, Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. The Board arranged orientation courses for its directors during the year to appraise them of their duties and responsibilities.

10. The Board has approved appointments of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by CEO.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code

15. The Board has formed an Audit Committee. It comprises three members, of whom two are non executive Directors

16. The meetings of the Audit Committee were held at least once in every quarter prior to the approval of interim and financial results of the Company and as required by the Code. The terms of reference of the Committee have been prepared in the light of the Code of Corporate Governance and advised to the Committee for compliance

17. The Board has set up an effective Internal Audit Function.

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

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

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

On Behalf of the Board of Directors

KHALID IQBAL
CHIEF EXECUTIVE

KARACHI: October 8, 2010.

Quetta Textile Mills Limited

QUETTA TEXTILE MILLS LIMITED

DIRECTORS' REPORT TO THE SHARE HOLDERS

The Directors have pleasure in presenting the 41st Annual Report of the company and the Auditor's Report thereon for the year ended June 30, 2010.

FINANCIAL RESULTS	Rupees
Net Profit before taxation	375,591,535
Less: Taxation	120,557,496
Net Profit after taxation	255,034,039
Un-appropriated profit brought forward	416,831,269
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged in current year	34,421,854
Available for appropriation	706,287,162
Un-appropriated profit	**706,287,162**
Profit after Taxation	255,034,039
Ordinary Shares	13,000,000
Earnings per share	**28.26**

CHAIRMAN'S REVIEW

The Directors of the Company endorse the contents of the Chairman's review, which is deemed to be a part of the Director's report.

Operational Performance

	Year ended June 30 2010	2009	Increase / (Decrease)
	(Amount in Rupees)		%age
Total Sales	9,334,111,703	7,514,898,763	24.21%
Local Sales	4,622,449,385	3,629,193,716	27.37%
Export Sales	4,711,662,318	3,885,705,047	21.26%
Gross Profit	1,707,970,650	1,337,705,757	27.68%

Salient Feature of the Accounting Results

The achievement of the year under review my be compared against preceding year in are as under

	Year ended June 30 2010	2009
	(Amount in Rupees)	
Sales	9,334,111,703	7,514,898,763
Cost of Sales	(7,626,141,053)	(6,177,193,006)
Gross profit	1,707,970,650	1,337,705,757
Distribution cost	(286,765,433)	(314,174,692)
Administrative Expenses	(32,762,174)	(34,308,236)
Other operating expenses	(73,147,100)	(113,635,963)
Finance cost	(962,309,108)	(830,512,658)
	(1,354,983,815)	(1,292,631,549)
Other Operating Income	22,604,700	53,893,959
Profit before Tax	375,591,535	98,968,167

Financial Management

Cash flow Management

The Company has an effective Cash Flow Management system in Place whereby cash inflows and out Flows are projected on regular basis. Working Capital requirements are planned to be financed through internal cash generation and short term borrowings from external resources where necessary.

Risk Mitigation

The Inherent risks and uncertainties in running a business directly affect the success of business. The management of Quetta Textile Mills Limited has identified its exposure to the potential risks. As a part of our policy to produced forward looking statement we are outlining the risks which may effect our business. This exercise also helps the management focus on a strategy to mitigate risk factors.

Credit Risk

All financial assets of the company except cash in hand are subject to credit risk. The company believes that it is not exposed to major concentration of credit risk. Exposure is Managed through application of credit limits to its customers secured by and on the base of past experience, sales volume, consideration of financial position, past track records and recoveries, economic conditions of particularly the textile sector and generally the industry. The company believes that it is prudent to provide Provision of doubt full debts.

Liquidity Risk

Prudent liquidity risk management ensures availability of the sufficient funds for meeting contractual commitments. The Company's fund management strategy aims at managing liquidity risk through internal cash generation and committed credit lines with financial institutions.

Interest Rate Risk

Majority of the interest rate exposure arises from short and long term borrowing from banks. Therefore, a change in interest rates at the reporting date would not effect the profit and loss accounts.

Foreign Exchange Risk.

Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currencies. The company is mainly exposed to short term USD/ PKR parity on its imports of raw material and Plant and Machinery.

Production facilities.

Performance of our production facilities was excellent with unprecedented levels of output. Our team continued to improve efficiencies through harmonized efforts, eliminating wastage and avoidance of shutdowns on numerous occasions. The Company is determined to continue its focus on maximum capacity utilization for sustained profitability and to maintain its position as the leading Textile Manufacturer of the Country.

DIVIDEND

The Board of directors have propsed a final cash dividend @ of 20% i.e of Rs. 2/= per share for the year ended June 30, 2010

AUDITORS

The Present Auditors M/s. Mushtaq and Company Chartered Accountants retired and being eligible offer themselves for re-appointment

PATTERN OF SHARE HOLDING

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

SUMMARY OF FINANCIAL DATA

Financial data for last six years in summarized form is annexed.

ATTENDANCE AT THE BOARD MEETING DURING THE YEAR 2009-2010

All the directors keenly take interest in the company's affairs. During the year fourteen Board Meetings were held, Attendance by each director was as under:-

Name of Directors	No of Meetings attended
Mr. Khalid Iqbal	14
Mr. Tariq Iqbal	11
Mr. Daanish Javed	6
Mr. Asim Khalid	09
Mr. Omer khalid	13
Mrs. Najma Javed	8
Mrs. Tabbasum Tariq	07

Leave of absence was granted to the directors who could not attend some of the meetings. During the period under review there was no trading of the Company's share by the Chief Executive, Chief Financial Officer, and Company Secretary, there spouses and minor children.

AUDIT COMMITTEE

The board of directors in compliance with the Code of Corporate Governance has established an Audit Committee. The name of its members are given in the company profile.

The term of reference of the Audit Committee based on the scope as defined by the Securities and Exchange Commission of Pakistan (SECP) and the guidelines given by the board of directors from time to time to improve the system and prsedures.Within the frame work of term of reference determined by board of directors, the Audit Committee, among other things, will recommend appointment of external auditors and review of periodical statements.

CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the year ended June 30, 2010.

a) The Financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984. These Statements present fairly the Company's state of affairs, result of its operations, cash flow and change in equity

b) Proper books of accounts of the Company have been maintained.

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

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

e) The system of Internal control is sound in design and has been effectively implemented and monitored.

f) There is no significant doubt upon the Company's ability to continuous a going concern.

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

h) Key operating and financial data for the last six years in summarized from is annexed.

CONCLUSION

The Directors place on record their appreciation to the officers, members of the staff and workers for their efforts and hard work.

For and on behalf of the Board of Directors

KHALID IQBAL
Chief Executive
Karachi: October 08, 2010

DETAIL OF PATTERN OF SHAREHOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT 30TH JUNE 2010

Name of shareholders		No of Shareholder	Share held	Percentage
1 ASSOCIATES COMPANIES			Nil	
2 NIT & ICP		**1**		
Investment Corporation of Pakistan			250	0.00
3 Directors, CEO their Spouse and Minor Childern		**10**		
Mr. Khalid Iqbal	(Director & CEO)		1,005,728	7.74
Mr. Asim Khalid	(Director)		582,002	4.48
Mr. Omer Khalid	(Director)		607,303	4.67
Mrs. Rukhsana Khalid			246,577	1.90
Mr. Tariq Iqbal	(Director)		566,059	4.35
Mrs. TabbasumTariq	(Director)		694,353	5.34
Mr. Dannish Javed	(Director)		377,137	2.90
Mrs. Aisha Dannish			329,223	2.53
Mrs. Najma Javed	(Director)		238,438	1.83
Mr. Javed Iqbal			419,375	3.23
4 Executive			Nil	
5 Public Sector Companies & Corporations			Nil	
6 Bank Development Finance Institution, Non-Banking Finance Institution, Insurance Companies, Modarabas & Mutual Fund		**4**		
State Life Insurance Corporation of Pakistan			52,082	0.40
National Bank Of Pakistan, Trustee Wing			11,496	0.09
National Investment Trust Ltd			488	0.00
The Bank of Punjab			4,067	0.03
7 ShareholdersHoding 10% or More			Nil	
8 Individuals		**215**	7,849,389	60.38
9 Others		**6**		
Securities & Exchange Commission of Pakistan			1	0.00
Freedom Enterprises (Pvt) Ltd			62	0.00
N. H. Security (Pvt) Ltd			16	0.00
Vohra Engineering (Pvt) Ltd			2,300	0.02
Stock Master Securities (Pvt) Ltd			190	0.00
Fazal Cloth Mills Ltd			13,464	0.10
Total		**236**	**13,000,000**	**100.00**

QUETTA TEXTILE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2010

EQUITY AND LIABILITIES	NOTE	June 30, 2010 RUPEES	June 30, 2009 RUPEES
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 Ordinary shares of Rs.10 each		200,000,000	200,000,000
15,000,000 Preference shares of Rs.10 each		150,000,000	150,000,000
		350,000,000	350,000,000
Issued, subscribed and paid up capital	5	130,000,000	31,250,000
Reserves		48,687,626	42,111,612
Share premium reserve		651,750,000	-
Unappropriated profit		706,287,162	416,831,269
Shareholders equity		1,536,724,788	490,192,881
Surplus on revaluation on property, plant and equipment	6	763,564,281	785,938,486
Loans from directors-Subordinated	7	23,900,000	773,161,770
NON CURRENT LIABILITIES			
Loan from financial institutions	8	253,916,615	496,845,950
Redeemable capital -SUKUK	9	1,292,666,667	1,361,916,667
Liabilities against assets subject to finance lease	10	196,772,226	264,940,143
Deferred liabilities	11	371,526,145	330,051,562
CURRENT LIABILITIES			
Short term borrowings	12	3,193,828,559	3,713,509,816
Current portion of			
Long term loan- Financial Institution		347,517,765	310,287,821
Redeemable capital -SUKUK		69,250,000	23,083,333
Liabilities against assets subject to finance lease		84,358,911	68,311,819
Trade and other payables	13	256,851,871	180,562,222
Accrued mark-up on loans	14	117,223,936	113,243,574
		4,069,031,042	4,408,998,585
Contingencies and commitments	15		
		8,508,101,764	8,912,046,044

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

KHALID IQBAL
CHIEF EXECUTIVE
Karachi : October 08, 2010

QUETTA TEXTILE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2010

PROPERTY AND ASSETS	NOTE	June 30, 2010 RUPEES	June 30, 2009 RUPEES
NON CURRENT ASSETS			
Property, plant and equipment	16	4,775,130,044	4,871,287,897
Capital work in progress	17	136,121,413	117,382,655
		4,911,251,457	4,988,670,552
Long term investments	18	26,988,433	48,486,269
Long term deposits	19	17,503,512	17,503,512
CURRENT ASSETS			
Stores, spares and loose tools	20	436,830,375	301,911,812
Stock in trade	21	2,269,203,857	2,229,193,897
Trade debts	22	524,062,248	886,019,035
Other financial assets	23	11,449,354	101,951,705
Loans and advances	24	184,707,178	213,311,393
Short term prepayments	25	-	106,155
Income tax and sales tax	26	122,886,770	121,778,628
Cash and bank balances	27	3,218,580	3,113,086
		3,552,358,362	3,857,385,711
		8,508,101,764	8,912,046,044

OMER KHALID
DIRECTOR

QUETTA TEXTILE MILLS LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	For the Year ended June 30, 2010 RUPEES	For the Year ended June 30, 2009 RUPEES
Sales	28	9,334,111,703	7,514,898,763
Cost of goods sold	29	7,626,141,053	6,177,193,006
Gross profit		1,707,970,650	1,337,705,757
Distribution cost	30	(286,765,433)	(314,174,692)
Administrative expenses	31	(32,762,174)	(34,308,236)
Other operating expenses	32	(73,147,100)	(113,635,963)
Other operating income	33	22,604,700	53,893,959
Finance cost - net	34	(962,309,108)	(830,512,658)
		(1,332,379,115)	(1,238,737,590)
Net profit before taxation		375,591,535	98,968,167
Taxation			
Current year	35	(75,306,598)	(37,317,491)
Deferred		(45,250,898)	(30,929,469)
		(120,557,496)	(68,246,960)
Net profit after taxation		255,034,039	30,721,207
Earnings per share - basic and diluted	36	28.26	9.83

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

KHALID IQBAL
CHIEF EXECUTIVE
Karachi : October 08, 2010

OMER KHALID
DIRECTOR

QUETTA TEXTILE MILLS LTD

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

	June 30, 2010 Rupees	June 30, 2009 Rupees
Profit for the year after taxation	255,034,039	30,721,207
Other comprehensive income:		
Unrealized gain on remeasurement of available for sales investments	6,576,014	25,556,075
Transfer from surplus on revaluation of property, plant & equipment - incremental depreciation	34,421,854	20,013,092
Other comprehensive income for the year	40,997,868	45,569,167
Total comprehensive income for the year	296,031,907	76,290,374

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

Karachi:
October 8, 2010

KHALID IQBAL
Chief Executive

OMER KHALID
Director

QUETTA TEXTILE MILLS LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2010

	For the Year ended June 30, 2010 RUPEES	For the Year ended June 30, 2009 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Cash (used in) / generated from operations (Note: 37)	1,869,261,754	514,047,907
Taxes paid	(51,583,006)	(31,467,825)
Financial charges - net paid	(958,328,746)	(859,770,869)
Workers' profit participation fund	(5,284,843)	(3,570,150)
Gratuity paid	(20,161,717)	(8,670,035)
Long term deposits	-	(10,990,989)
Net cash flow from/(used in) operating activities	833,903,442	(400,421,961)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(156,914,713)	(458,072,383)
Proceeds against sale of fixed assets	30,000	(550,000)
Long term investment	28,073,849	109,358,892
Short term investments	91,326,537	(24,112,291)
Dividend received	3,161,389	3,609,025
Net cash used in investing activities	(34,322,938)	(369,766,757)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans - net	(205,699,391)	(1,770,406,414)
Redeemable capital	(23,083,333)	1,385,000,000
Short term loan - net	(519,681,257)	969,230,416
Finance lease - net	(52,120,825)	151,022,539
Loan from directors - net	(749,261,770)	34,500,000
Dividend paid during the year	(128,434)	-
Right share issued during the year	98,750,000	-
Share premium reserve	651,750,000	-
Net cash from investing activities	(799,475,010)	769,346,541
Net (decrease) in cash and cash equivalents	105,493	257,821
Cash and cash equivalents at beginning of the year	3,113,086	2,855,265
Cash and cash equivalents at end of the year (Note: 27)	3,218,580	3,113,086

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

KHALID IQBAL
CHIEF EXECUTIVE

OMER KHALID
DIRECTOR

Karachi : October 08, 2010

QUETTA TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Share capital	RESERVES						Unappropriated profit	Total
		Share premium reserve	Capital reserve	Reserve for power generation plant	Gain / (loss) on available for sale investment	General reserve	Sub Total		
	Rupees								
Balance as at June 30, 2008	31,250,000		1,200	50,000,000	(98,445,663)	65,000,000	16,555,537	366,096,970	413,902,507
Transferred to general reserve				(50,000,000)		50,000,000			-
Comprehensive income for the year ended June 30, 2009					25,556,075		25,556,075	50,734,299	76,290,374
Balance as at June 30, 2009	**31,250,000**	**-**	**1,200**	**-**	**(72,889,588)**	**115,000,000**	**42,111,612**	**416,831,269**	**490,192,881**
Right shares issued during the year	98,750,000	-							98,750,000
Share premium reserve		651,750,000					-		651,750,000
Comprehensive income for the year ended June 30, 2010					6,576,014		6,576,014	289,455,893	296,031,907
Balance as at June 30, 2010	**130,000,000**	**651,750,000**	**1,200**	**-**	**(66,313,574)**	**115,000,000**	**48,687,626**	**706,287,162**	**1,536,724,788**

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

KHALID IQBAL
CHIEF EXECUTIVE

OMER KHALID
DIRECTOR

Karachi : October 08, 2010

1 The Company and its Operations

1.1 Quetta Textile Mills Limited (the Company) was incorporated in Pakistan on January 29, 1970 as a public limited company under the Companies Act, 1913 (Now the Companies Ordinance, 1984). The shares of the Company are listed on Karachi Stock Exchange. The main business of the company is manufacturing and sale of yarn and fabric. The registered office of the company is situated at ground floor Nadir House I.I Chundrigar road Karachi.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared on the historical cost convention except for certain financial instruments at fair value and employees retirement benefits at present value. In these financial statements, except for cash flow statements , all transactions have been accounted for on accrual basis.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

2.4 Use of Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 44 to these financial statements.

2.5 Standards, interpretations and amendments to published approved accounting standards

2.5.1 Changes in accounting policies arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year.

¤ Revised IAS - 1 Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. There are no items for other comprehensive income, therefore no impact on the company financial statements.

¤ IAS 23 (Amendment), "Borrowing costs" requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs has been removed. Further, the definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 "financial Instrument: Recognition and measurement". There is no material impact on the company financial statements due to change in the interest calculation method.

¤ Amended IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transactions. When the group losses controls of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard does not to have an effect on the company's financial statements.

¤ IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost methods from IAS - 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The application of the standard does not to have an effect on the company's financial statements.

¤ Amendments to IAS - 32 Financial Instruments : Presentation and IAS - 1 Presentation of Financial Statements (effective for annual period beginning on after 01 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidations requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which requires retrospective application, but does not have any impact on the company's financial statements.

- Amendment to IAS - 39 Financial Instruments : Recognition and Measurement - Eligible hedged items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment does not have an effect on the company's financial statements.

- Amendments to IAS - 39 and IFRIC - 9 Embedded derivatives (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments does not have an effect on company's financial statements.

- Amendment to IFRS - 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard does not have any effect on the company's financial statements.

- Amendment to IFRS - 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 01 January 2010). The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transactions to account for the transaction in its separate or individual financial statements. The application of this standard does not have any effect on the company's financial statements.

- Revised IFRS - 3 Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard does not have an effect on the company's financial statements.

- IFRS - 4 Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the company's operations.

- Amendment to IFRS - 7 Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). These amendments have been made to bring the disclosure requirements of IFRS - 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

- IFRS - 8 Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the "management approach" to segment reporting. IFRS - 8 requires a change in the presentation and disclosure of segment information based on the internal reports that a regularly reviewed by the company's "chief operating decision maker" in order to asses each segment's performance and to allocate resources to them. The company determines and presents operating segments based on the information that internally provided to CEO, who is the company chief operating decision maker. The new accounting policy in respect of operating segment disclosures is disclosed in note 3.22.

- IFRIC - 15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The IFRIC is not relevant to the company's operations.

- IFRIC - 16 Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The IFRIC is not relevant to the company's operations.

- IFRIC - 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the company's financial statements.

- IFRIC - 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the company's operations.

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

The following standards, interpretations and amendments of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than increased disclosures in certain cases.

¤ IFRS 2 (Amendments), "Group cash settled and share based payment transactions", is effective for the accounting period beginning on or after January 1, 2010. In addition to incorporating IFRIC 8, "Scope of IFRS 2" and IFIRC 11, IFRS 2 - "Group and treasury share transactions", the amendments expand on the guidance in IFRC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the company's financial statements.

¤ IFRS 8 (Amendment), "Disclosure of information about segment assets" (effective for the accounting period beginning on or after January 1, 2010). This amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker. The new guidance is not expected to have material impact on the company's financial statements.

Summary of Significant Accounting Policies

3.1 Borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3.2 Employee benefits

3.2.1 Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

Post retirement benefits

3.2.2 Defined benefit plans

The Company operates an unfunded gratuity scheme for its permanent employees as per the terms of employment who have completed minimum qualifying period of service as defined under the scheme.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the Company’s obligations are amortized over the expected average remaining working lives of the eligible employees. Past service cost is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortized on a straight line basis over the average period until the amended benefits become vested.

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

3.3 Taxation

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

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any, or 0.5% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

Deferred tax is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

3.4 Provisions

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

3.5 Trade and other payables

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

3.6 Dividend

Dividend is recognized as a liability in the period in which it is approved by shareholders.

3.7 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment except land, building, certain items of plant and machinery and capital work in process are stated at cost less accumulated depreciation and impairment, if any.

Land, building and plant and machinery are stated are stated at revalued amount being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. Revaluation are performed with sufficient regulatory so that the fair value and carrying value don't differ materially at the end of reporting period.

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

Depreciation is charged to income on reducing balance method over its estimated useful life at the rates specified in property, plant and equipment note. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

The gain or loss on disposal of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Where the carrying amount of asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Depreciation is charged on the same basis as used for owned assets.

Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

3.8 Capital work in process

Capital work in progress and stores held for capital expenditure are stated at cost and represents expenditure incurred on property, plant and equipment during construction and installation. Cost includes borrowing cost as referred in accounting policy of borrowing cost. Transfers are made to relevant property, plant and equipment category as and when assets are available for intended use.

3.9 **Investments**

Investments in associate - Equity Method

Investment in associates is accounted for using the equity method. These are entities in which the company has significant influence which is neither a subsidiary nor a joint venture of the company.

Derivative financial instruments

The Company uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge its risks associated with foreign currency borrowings and effects on cash flow of any fluctuations in interest rates. Such derivative financial instruments are stated at fair value.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading and those designed as such are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near item. Gains or losses on such investments are recognized in profit and loss account.

Held-to-maturity investments

Non-derivative financial assets 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.

Investments intended to be held for an undefined period are not included in this classification.
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 valuations techniques.

Available for sale

Other investments not covered in any of the above categories including investments in associates in which the Company has no significant influence are classified as being available for sale are stated at fair value, with any resultant gain or loss being recognized directly in equity. Gains or losses on available for sale investments are recognised directly in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in the equity is included in current year's profit and loss account.

3.10 Derivative financial instruments

The Company uses derivative financial instruments such as interest rate swaps and cross currency swaps to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

3.11 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently. Financial assets are stated at their nominal value as reduced by the appropriate allowances for estimating irrecoverable amount. Mark up bearing financial liabilities are recorded at the gross proceeds received. Other financial liabilities are stated at their nominal value.

3.12 Stores and spares

Stores and spares are valued at lower of cost and net realizable value. Cost is determined on a weighted average basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

3.13 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable value applying following basis;

Raw material	At weighted average cost
Work in progress	At average manufacturing cost
Finished goods	At average manufacturing cost
Waste	Net realizable value

Raw material in transit is stated at invoice price plus other charges paid thereon upto the balance sheet date.

Average manufacturing cost in relation to work in process and finished goods, consist of direct material and proportion of manufacturing overheads based on normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.

3.14 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash in transit and balances with bank for the purpose of cash flow statement.

3.16 Revenue recognition

Revenue from sales is recognized when significant risks and rewards of ownership are transferred to the buyer.

Interest income is recognized on the basis of constant periodic rate of return.

Dividend income is recognised when the right to receive dividend is established i.e. the book closure date of the investee company declaring the dividend.

3.17 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

3.18 Impairment

All company's assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated. Impairment losses are recognized in the profit and loss account currently.

3.19 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are retranslated into Pak Rupees at the rates of exchange prevailing at the balance sheet date.

Exchange differences, if any, are taken to profit and loss account.

3.20 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.21 Transactions with related party

All transactions with related parties are carried out by the Company at arms' length price using the method prescribed under the Companies Ordinance 1984.

Nature of the related party relationship as well as information about the transactions and outstanding balances are disclosed in the relevant noted to the financial statements.

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

4 Capital Management

The company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital and level of dividends to ordinary shareholders. The company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the company's approach to capital management during the year. Further the company is not subject to externally imposed capital requirements.

		Jun-30 2010 RUPEES	Jun-30 2009 RUPEES
5.	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**		
	No. of shares		
	1,200,000 Ordinary shares of Rs.10 each allotted in consideration paid in cash	12,000,000	12,000,000
	9,875,000 Ordinary shares of Rs.10 each allotted as right shares	98,750,000	-
	1,925,000 Ordinary shares of Rs.10 each allotted as bonus shares	19,250,000	19,250,000
	13,000,000	130,000,000	31,250,000

5.1 The company has one class of ordinary shares which carry no rights to fixed income.

5.2 During the year company has issued 9, 875,000 Ordinary Shares in the ratio of 316 shares for every 100 ordinary Shares at exercise price of Rs. 76/= per share having premium of Rs 66/= per share.

6	**SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT**		
	Opening balance	785,938,486	340,391,684
	Add: Revaluation during the year on land & building	-	622,057,842
		785,938,486	962,449,526
	Less : Related deferred tax liability	-	(163,502,530)
		785,938,486	798,946,996
	Less: Transferred from surplus on revaluation of Property Plant Equipment on account of incremental depreciation charged in the current period- net of deferred tax	(22,374,205)	(13,008,510)
	Closing balance	763,564,281	785,938,486

6.1 On March 31, 2009, further revaluation was made of the Land, Building and Labour Colony, by Asif Associates (Pvt.) Ltd, registered surveyors and valuation consultants, on the basis of market value which resulted in net revaluation of Rs.622,057,842.

6.2 On November 13, 2006 and December 28, 2006, further revaluation was made of the Land, Building and Plant and Machinery, by Asif Associates (Pvt.) Ltd, registered surveyors and valuation consultants, on the basis of market value and realizable values which resulted in net revaluation of Rs.154,291,391.

6.3 On May 27, 2005 and Jun 24, 2005 , Land was revalued by MYK Associate (Pvt) Ltd, registered surveyors and valuation consultants, on the basis of market value and realizable values which resulted in net revaluation surplus amounting to Rs. 119,794,763.

6.4 On July 16, 2003, revaluation was made of the land, building and machinery , by MYK Associates (Pvt.) Ltd, registered surveyors and valuation consultants, on the basis of market value and realizable values which resulted in net revaluation of Rs. 20,750,716.

7	**DUE TO DIRECTORS AND OTHERS-SUBORDINATED**		
	Unsecured		
	Due to directors	-	243,700,000
	Due to others	23,900,000	529,461,770
		23,900,000	773,161,770

These are non mark-up bearing loan and unsecured. It is repayable after more than one year. The loan upto Rs.23,900,000 (2009: 738,000,000) is subordinated to bank loans.

			Jun-30 2010 RUPEES	Jun-30 2009 RUPEES
8	**LOAN FROM FINANCIAL INSTITUTIONS**			
	Syndicated Term Finance	**8.1**	-	15,000,000
	Al Baraka Islamic Bank	**8.2**	13,125,000	21,875,000
	Allied Bank Ltd-LTF	**8.3**	109,354,267	109,354,267
	Askari Bank Ltd	**8.4**	7,987,464	23,962,464
	Askari Bank Ltd-LTF	**8.5**	16,845,430	25,268,144
	Bank of Punjab	**8.6**	4,596,682	6,895,023
	Bank of Punjab-LTF	**8.7**	15,806,636	15,806,636
	Citibank	**8.8**	30,371,918	41,416,250
	Faysal Bank Ltd - LTF	**8.9**	31,265,446	35,098,778
	First Credit & Investment Bank	**8.10**	15,136,907	24,375,000
	Habib Bank Ltd	**8.11**	-	6,615,437
	Habib Bank Ltd	**8.12**	-	15,604,444
	Habib Bank Ltd-LTF	**8.13**	21,807,662	43,615,324
	Habib Bank Ltd - LTF	**8.14**	12,283,333	13,400,000
	Habib Metropolitan Bank Ltd	**8.15**	-	16,418,000
	Habib Metropolitan Bank Ltd	**8.16**	6,400,000	7,500,000
	MCB Bank Ltd-LTF	**8.17**	-	4,592,000
	National Bank of Pakistan	**8.18**	25,089,114	37,633,670
	National Bank of Pakistan-LTF	**8.19**	18,616,330	24,821,774
	Pak Oman Investment Co. Ltd.	**8.20**	12,500,000	25,000,000
	Pak Oman Investment Co. Ltd. LTF	**8.21**	12,500,000	
	Pak Oman Investment Co. Ltd. - LTF	**8.22**	10,134,999	12,162,000
	Silk Bank Ltd.	**8.23**	30,000,000	75,000,000
	Silk Bank Ltd. - LTF	**8.24**	33,395,969	35,098,777
	Silk Bank Ltd. - LTF	**8.25**	11,170,000	26,120,785
	Silk Bank Ltd. - LTL	**8.26**	11,380,559	
	Saudi Pak Ind, & Agri. Investment Company - LTF	**8.27**	30,666,664	34,499,998
	Soneri Bank Limited	**8.28**	26,000,000	-
	Standard Chartered Bank	**8.29**	35,000,000	50,000,000
	UBL	**8.30**	30,000,000	60,000,000
	UBL LTF	**8.31**	30,000,000	
			601,434,380	807,133,771
	Less: current portion		(347,517,765)	(310,287,821)
			253,916,615	496,845,950

8.1 Total Facility amount was Rs. 750 million, markup payable semi annually @ 6MK + 2%. Loan was repayable in 10 semi annual installments commencing From 23-04-2005. The loan was secured by Joint pari passu E/M charge on present and future fixed assets of the company of Rs 1 billion. The charge cover the principal of the Facility with a 25% margin. However the loan was settled as on 10-12-2009.

8.2 Equitable mortgage over property and Token registered mortgage of Rs. 63.75 million over commercial property. Total facility amount is Rs. 35 million, markup payable quarterly @ 6MK +2.4 %. Loan is repayable in 08 semi annual installments commencing from 28-06-2008.

8.3 First exclusive charge of Rs. 435 million on Specific Fixed assets of the Company . Total Facility amount is Rs. 326 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 08 semi annual installments commencing From 22-04-2007.

8.4 First pari passu Equitable mortgage charge of Rs. 180 million over land ,building and machinery of the company. Total Facility amount is Rs.55.913 million, markup payable semi annually @ 6mk + 1.5%. Loan is repayable in 07 semi annual installments commencing from 27-04-2007.

8.5 Security and Charge same as notes no. 8.4. Total Facility amount is Rs.58.959 million. markup payable semi annually @ SBP rate + 2%. Loan is repayable in 07 semi annual installments commencing from 27-04-2007.

8.6 First pari passu charge on all Fixed assets of the Company amounting to Rs. 24.66 million. Total Facility amount is Rs. 18.387 million, markup payable semi annually @ 6mk + 1.75%. Loan is repayable in 08 semi annual installments commencing From 30-05-2007.

8.7 First pari passu charge on all Fixed assets of the Company amounting to Rs. 42.0 million. Total Facility amount is Rs.31.613 million, markup payable quarterly @ SBP rate +1.75%. Loan is repayable in 08 semi annual installments commencing From 30-05-2007.

8.8 Registered hypothecation charge over plant and machinery of the company & Rs.78 million charge ranking . Markup payable monthly @ 1 MK + 1.5%. The facility amount is 58.470 million. This Loan is repayable in 45 monthly installments commencing from 25-07-2009.

8.9 First pari passu charge on all Fixed assets of the Company amounting to Rs. 61.33 million. Total Facility amount is Rs.46 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 24 quarterly installments commencing From 14-09-2007.

8.10 First pari passu charge of Rs. 86.67 million over all Fixed assets of the Company including land and building with atlest 25% margin. Total Facility amount is Rs.65 million, markup payable semi annually @ 6MK + 1.75%. Loan is repayable in 08 semi annual installments commencing from 31-05-2007.

8.11 Total Facility amount was Rs.19.846 million, markup payable semi annually @ 6MK + 1.35%. Loan was repayable in 06 semi annual installments commencing From 30-09-2007. The loan was secured by First pari passu E/M and hypo (each) charge of Rs.420 million on present and future fixed assets of the company . The charge amount of Rs. 393 million first pari passu and charge amount of Rs. 27 million to remain ranking. However the loan was settled as on 02-04-2010.

8.12 Total Facility amount was Rs. 75 million, markup payable semi annually @ 6Mk +2%. Loan was repayable in 10 semi annual installments commencing From 28-11-2005. The loan was secured same as notes no. 8.11. However the loan was settled as on 11-06-2010.

8.13 First pari pasu E/M and hypo (each) charge of Rs. 420 million on present and future of the company. The charge amount of Rs. 393 million is first pari pasu and charge amount of Rs. 27 million is ranking. Total facility amount is Rs. 130.846 million. Mark-up payable quarterly @ SBP rate +2% loan is repayable in six semi annual installments commencing from 28-04-2007.

8.14 Security & charge same as notes no. 8.11 .Total facility amount is Rs.13.4 million, markup payable quarterly @ SBP rate + 2% loan is repayable in 12 semi annual installments commencing from 24-05-2009.

8.15 First pari Pasu hypothecation Charge on imported machinery . Total facility amount is Rs.75.918 million, markup payable quarterly @ 3 MK + 1.5%. Loan is repayable in 09 quarterly installments commencing from 10-11-2007. However the loan was settled as on 12-12-2009.

8.16 Ranking charge of Rs. 12.5 (M) with 40% margin over Machinery including importered Plant and Machinery. Total facility amount is Rs. 7.5 million, markup payable quarterly @ 3MK + 3%.Loan is repayable in 14 quarterly installments commencing from 21-10-2009.

8.17 Total Facility amount was Rs.22.960 million, markup payable quarterly @ SBP rate + 2%. Loan was repayable in 05 semi annual installments commencing From 22-04-2007. The loan was secured by First registered Pari Pasu charge for Rs. 75 million over fixed assets of the company. However the loan was settled as on 22-04-2010.

8.18 First pari passu charge of Rs. 200 million on all present & future Fixed assets of the Company. and equitable mortgage over land & building of the company. Total Facility amount is Rs.100.356 million, markup payable semi annually @ 6mk +2%. Loan is repayable in 08 semi annual installments commencing from 28-05-2007.

8.19 Security charge same as notes no. 8.18. Total Facility amount is Rs.49.644 million, markup payable quarterly @ SBP rate + 2%. rate Loan is repayable in 08 semi annual installments commencing from 28-05-2007.

8.20 Ranking charge of Rs.34 million over all the present and future fixed assets f the company with 25% margin . Total facility amount is Rs. 12.5 million, markup payable quarterly @ 3MK + 3%. Loan is repayable in 16 quarterly installments commencing from 18-08-2010.

8.21 Security charge same as notes no. 8.20. Total facility amount is Rs. 12.5 million, markup payable quarterly @ SBP rate + 2.5%.Loan is repayable in 16 quarterly installments commencing from 18-08-2010.

8.22 Ranking Charge of Rs. 28 million on present and future fixed assets (Land , building and machinery) of the company with 25 % margin over the facility amount. Total facility amount is Rs. 20.27 million, markup payable quarterly @ SBP rate + 2.5%. Loan is repayable in 20 quarterly installments commencing from 28-02-2007.

8.23 Equitable Mortgage over charge on specific Land and property of the company amounting to Rs. 200 million. Total facility amount is Rs. 75 million, markup payable quarterly @ 6MK + 2.75%. Loan is repayable in 05 quarterly installments commencing from 08-05-2009.

8.24 First pari passu hypothecation charge of Rs. 61.33 million over Plant and Machinery of the company. Total Facility amount is Rs.46 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 24 quarterly installments commencing From 14-09-2007.

8.25 Ranking Charge over fixed assets of the company of Rs. 80 million. Total facility amount is Rs. 13.060 million, markup payable quarterly @ SBP RATE + 2.5%Loan is repayable in 20 semi annual installments commencing from 20-09-2009.

8.26 Security charge same as notes no. 8.25. Total facility amount is Rs. 13.060 million, markup payable quarterly @ 3MK+3% Loan is repayable in 20 semi annual installments commencing from 22-08-2009.

8.27 First pari passu hypothecation charge of Rs. 61.33 million over Plant and Machinery of the company. Total Facility amount is Rs.46 million, markup payable quarterly @ SBP rate + 2%. Loan is repayable in 24 quarterly installments commencing From 14-09-2007.

8.28 Exclusive charge over imported machinery of the company. Total facility amount is Rs. 26 million, markup payable quarterly @ 6MK + 3%. Loan is repayable in 08 semi annual installments commencing from 03-05-2011.

8.29 Ranking charge of RS. 66.700 million over the company's present and future fixed assets of the company with 25% margin. Total facility amount is Rs. 50 million, markup payable quarterly @ 3MK + 2.5%. Loan is repayable in 10 semi annual installments commencing from 25-09-2009.

8.30 Joint pari pasu EMP charge over fixed assets for Rs. 1 billion (UBL share 200 million) of the company. Total facility amount is Rs. 30 million, markup payable quarterly @ 3MK + 2.5%. Loan is repayable in 14 quarterly installments commencing from 29-03-2011.

8.31 Ranking hypothecation and EMP charge of Rs.81 million on all present and future fixed assets of the company. Total facility amount is Rs. 30 million, markup payable quarterly @ SBP rate + 2.5%. This Loan is repayable in 14 quarterly installments commencing from 24-06-2011.

8.32 The company was entered into an interest rate swap agreement with United Bank Limited for a national amount of Rs. 360 million, maturing on October 23, 2009. Under the swap arrangement, the Company would receive interest rate of six months KIBOR and pay fixed rate of 8.20%, which will be settled semi-annually. The agreement was matured in October 2009.

			Jun-30 2010 RUPEES	Jun-30 2009 RUPEES
9	**REDEEMABLE CAPITAL - SUKUK**			
	Diminishing musharaka sukuk certificate	9.1	1,361,916,667	1,385,000,000
	Less: Current maturity		(69,250,000)	(23,083,333)
			1,292,666,667	1,361,916,667

9.1 The company had issued privately placed Sukuk Certificates of Rs.1,385,000,000 divided into 277,000 certificates of Rs. 5,000 each. The significant terms and conditions and security of the Sukuk / certificates are as follows;

Tenure	7 years	7 years
Date of first installment	March 31, 2010	March 31, 2010
Rate of return	6 M-KIBOR + 1.5	6 M-KIBOR + 1.5
Convertible/non convertible	Non Convertible	Non Convertible
Redeemable/perpetual	Redeemable	Redeemable

Security

First Pari Passu charge of Rs. 1.846 billion on all fixed assets of the company .

10	**LIABILITIES AGAINST ASSETS FINANCE TO LEASE**		
	payable within one year	123,682,966	117,498,338
	Payable after one year but not more than 05 years	223,095,403	322,997,708
		346,778,369	440,496,046
	Less: deferred finance cost	(80,134,550)	(121,731,402)
		266,643,819	318,764,644
	Add: security deposit	14,487,318	14,487,318
	Less: current maturity	(84,358,911)	(68,311,819)
	Present value of minimum lease payments	196,772,226	264,940,143

10.1 The Company has entered into lease agreement/ Ijarah of Plant and Machinery with various leasing companies and financial institutions on half yearly payment basis. The lease contains bargain purchase option.

10.2 The lease is secured by way of a ranking charge of Rs 266 million (2009: Rs 266 million) over immovable assets of of the Company, personal guarantees of two directors and security deposit equivalent to 0.1% to 10% of the facility amount.

10.3 Implicit rate of return on lease varies from 14.67% to 17.70 %.

10.4 Taxes, repairs and maintenance, insurance and other cost relating to the lease assets are borne by the Company.

11	**DEFERRED LIABILITIES**		
	Deferred liability for gratuity (Note: 11.1)	67,761,911	59,490,576
	Deferred tax (Note: 11.6)	96,436,546	51,185,649
	Deferred tax on surplus of revaluation of property plant and equipment	207,327,688	219,375,337
		371,526,145	330,051,562

11.1	**Movement in the net liability recognized in the balance sheet**		
	Opening net liability	59,490,576	49,670,676
		59,490,576	49,670,676
	Expense for the year (Note: 11.2)	28,433,052	18,489,935
		87,923,628	68,160,611
	Contribution paid	(20,161,717)	(8,670,035)
	Closing net liability	67,761,911	59,490,576

		Jun-30 2010 RUPEES	Jun-30 2009 RUPEES
11.2	**Expense recognized in the profit and loss account**		
	Current service cost	11,485,767	7,262,627
	Interest cost	7,589,155	5,730,593
	Net actuarial (gain) / loss recognized in the year	9,358,130	5,496,715
		28,433,052	18,489,935

11.3 General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method.

11.4 Principal actuarial assumption

The principal assumptions used in the valuation of gratuity are as follows;

	2010	2009
Discount rate	14%	15%
Expected rate of increase in salary	12%	14%

11.5 ***Comparison for five years***

	AS ON				
	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
Present value of defined benefit obligation	67,161,911	59,490,576	49,670,677	30,871,145	27,624,694

11.6 DEFERRED TAX

			2010	2009
	The liability for deferred taxation comprises of timing differences relating to:			
	Accelerated tax depreciation allowance and deductible temporary differences		239,188,824	169,747,784
	Deferred debit arising in respect of provisions, tax losses and refunds		142,752,277	118,562,135
		11.6.1	96,436,547	51,185,649
			96,436,547	51,185,649
11.6.1	Opening balance		51,185,649	20,256,180
	Closing balance of deferred tax liability	11.6	(96,436,547)	(51,185,649)
	Reversal/(provision) of deferred tax liability		(45,250,898)	(30,929,469)

12 SHORT TERM BORROWINGS

	2010	2009
Secured - Banking company		
Finances under mark up arrangement (Note: 12.1)	3,183,277,905	3,705,561,769
Unsecured - (Note: 12.2)		
Directors	5,442,963	935,592
Others	5,107,691	7,012,455
	10,550,654	7,948,047
	3,193,828,559	3,713,509,816

12.1 The company has aggregate facilities of Rs.5.295 billion (2009 : Rs. 5.295 billion.) These are secured against hypothecation and pledge of stock in trade, book debts and personal guarantees of directors. These loans carry mark up at the rate ranging from 11.02 %to17.94% (2009: 3.74 % to 13.13 %) per annum payable quarterly and on the maturity dates. The above facilities are expiring on various dates and renewable annually.

12.2 These are non mark up bearing and unsecured. These are renewable and due on various dates within one year.

		Jun-30 2010 RUPEES	Jun-30 2009 RUPEES
13	**TRADE AND OTHER PAYABLES**		
	Trade creditors	105,372,373	83,424,615
	Accrued expenses	119,442,390	87,157,913
	Workers' profit participation fund (Note: 13.1)	20,189,866	5,089,676
	Unclaimed dividend	-	128,434
	Workers' welfare fund payable	10,265,895	4,575,748
	Others	1,581,347	185,836
		256,851,871	180,562,222

13.1 WORKERS' PROFIT PARTICIPATION FUND

	2010	2009
Balance as at July 01, 2009	5,089,676	3,316,238
Interest charged	213,629	406,124
	5,303,305	3,722,362
Paid during the year	(5,284,843)	(3,570,150)
	18,462	152,212
Contribution for the year	20,171,404	4,937,464
Balance as at June 30, 2010	20,189,866	5,089,676

The company retains workers' profit participation fund for its business operation till the date of allocation to the workers. The interest is paid at the prescribed rate under the Workers' Profit Participation Fund Act on funds utilized by the Company till the date of allocation to the workers.

14 ACCRUED MARK - UP

	2010	2009
Accrued mark up on		
Long term loan- Financial Institution	24,700,065	24,720,489
Redeemable capital -SUKUK	50,417,407	51,419,176
Short term loans and running finances	42,106,464	37,103,909
	117,223,936	113,243,574

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingency

Appeal filed by the Government of Sindh in the Supreme Court of Pakistan against judgment of the High Court of Sindh at Karachi allowing the petition challenging the levy and collection of professional tax of Rs. 6.5 million on limited companies is pending. Based on the opinion from the legal advisor, the management is confident that the matter would be settled in its favour, consequently no provision has been made in these financial statements in respect of the above mentioned disputed liability.

Guarantees given on behalf of the Company, by banks, outstanding as at June 30, 2010 were Rs.183.218 million (2009: Rs 195.302 million).

15.2 Commitment

15.2.1 Capital Commitments

	2010	2009
Civil work and others	90,000,000	150,000,000
	90,000,000	150,000,000

15.2.2 Other commitments

	2010	2009
Stores, spares, raw and packing materials under letter of credit	159,285,099	70,255,497

		Jun-30 2010 RUPEES	Jun-30 2009 RUPEES

17 ***CAPITAL WORK IN PROGRESS - At Cost***

Plant and machinery		88,073,793	17,270,762
Building		48,047,620	100,111,893
		136,121,413	117,382,655

The movement in capital Work in Progress is as follows:

Balance at the begning of the year	117,382,655	147,512,817
Addition during the year		
Plant and machinery	88,073,793	17,270,762
Building	-	38,663,586
	88,073,793	55,934,348
Transfer to property plant and equipment		
Plant and machinery	17,270,762	19,278,732
Building	52,064,273	66,785,778
	69,335,035	86,064,510
	136,121,413	117,382,655

18 **LONG TERM INVESTMENTS**

Quoted available for sale- at fair vale	18.1	24,719,258	46,255,210
Un-quoted available for sale-at fair value	18.2	2,269,175	2,231,059
		26,988,433	48,486,269

18.1 **Quoted available for sale- at fair vale**

Name of Securities	No. of Shares	Cost	Fair value adjustment	Fair value
FAUJI CEMENTCOMPANY LIMITED	5,432,804	92,007,741	(67,288,483)	24,719,258
30-Jun-10	5,432,804	92,007,741	(67,288,483)	24,719,258
30-Jun-09	7,019,000	120,081,590	(73,826,380)	46,255,210

18.2 **Unquoted - Available for sale**
- At Fair Value

National Tanneries of Pakistan Limited 45,896 Ordinary shares of Rs.10 each Break up value Rs.49.44 per share as on 30.06.2010 (2009: 48.61).	1,294,267	1,294,267
Appreciation in the value of investments	974,908	936,792
	2,269,175	2,231,059

		Jun-30 2010 RUPEES	Jun-30 2009 RUPEES
19	**LONG TERM DEPOSITS**		
	Electricity - WAPDA	1,882,550	1,882,550
	Leasing companies	14,452,569	14,452,569
	Others	1,168,393	1,168,393
		17,503,512	17,503,512
20	**STORES, SPARES AND LOOSE TOOLS**		
	Spinning		
	Stores	66,412,911	45,618,215
	Spares and accessories	170,315,016	142,761,419
	Loose tools	19,581,258	12,650,994
		256,309,185	201,030,628
	Weaving		
	Store	57,691,542	46,571,396
	Power plant		
	Oil and stores	122,829,648	54,309,788
		436,830,375	301,911,812
21	**STOCK IN TRADE**		
	Spinning		
	Raw material	1,014,368,879	1,276,470,008
	Work-in-process	79,216,170	54,917,688
	Finished goods	240,674,327	205,997,798
	Waste	30,502,512	16,460,505
		1,364,761,888	1,553,845,999
	Weaving		
	Raw material	173,656,148	100,090,563
	Work in process	44,357,580	41,042,129
	Finished goods	686,402,570	534,191,650
	Waste	25,671	23,556
		904,441,969	675,347,898
		2,269,203,857	2,229,193,897

21.1 The caring value of Pledeged Stock is Rs. 706,347,078.

22	**TRADE DEBTS**		
	- Considered good		
	Exports - secured against letter of credit	5,861,532	338,518,141
	Local debts - unsecured	518,200,716	547,500,894
		524,062,248	886,019,035
23	**OTHER FINANCIAL ASSETS**		
	Held for trading		
	In listed companies	17,356,602	108,683,140
	Revaluation reserve for investment	(5,907,248)	(6,731,435)
		11,449,354	101,951,705

Details are as under: -

Name of Securities	No. of Shares	Cost	Fair value adjustment	Fair value
		June 30 ,2010		
				-
THE HUB POWER COMPANY LIMITED	44,000	1,412,299	(6,059)	1,406,240
PAKISTAN NATIONAL SHIPPING CORPORATION LTD	13,812	1,007,721	(456,760)	550,961
STANDARD CHARTERED LEASING LIMITED	120,000	1,867,802	(1,612,202)	255,600
GENERAL TYRE &RUBBER COMPANY LIMITED	10,000	290,580	(62,580)	228,000
PACE (PAKISTAN) LIMITED	140,000	900,705	(400,905)	499,800
NIMIR INDUSTRIES CHEMICAL LIMITED	100,000	265,780	(106,780)	159,000
TRIPACK FILM LIMITED	49,199	6,738,747	(1,940,369)	4,798,378
WATEEN TELECOM LIMITED	250,000	2,500,000	(942,500)	1,557,500
MARI GAS COMPANY LIMITED	15,411	2,372,968	(379,093)	1,993,875
30-Jun-10		**17,356,602**	**(5,907,248)**	**11,449,354**
30-Jun-09		**108,683,139**	**(6,731,435)**	**101,951,705**

24. LOANS AND ADVANCES

Unsecured - considered good		
Loans to - Employees	2,152,591.00	1,031,177
Advance against;		
Letter of credit	5,381,643	36,354,285
Advance to cotton suppliers	126,086,691	129,589,405
Store suppliers and others	51,086,253	46,336,526
	182,554,587	212,280,216
	184,707,178	213,311,393

25. SHORT TERM PREPAYMENTS

Prepayments	-	106,155
	-	106,155

26. INCOME TAX AND SALES TAX

Sales tax refundable	113,898,126	89,066,392
Income tax refundable	8,988,644	32,712,236
	122,886,770	121,778,628

27. CASH AND BANK BALANCES

Cash in hand	1,480,658	1,041,572
Cash at bank in current accounts	1,737,922	2,071,514
	3,218,580	3,113,086

		Jun-30 2010 RUPEES	Jun-30 2009 RUPEES
28.	**SALES**		
	Local sales (Note: 28.1)	4,622,449,385	3,629,193,716
	Export sales (Note: 28.2)	4,711,662,318	3,885,705,047
		9,334,111,703	7,514,898,763
28.1	**Local sales**		
	Yarn	2,881,694,169	1,814,820,462
	Fabric	1,572,455,525	1,727,695,452
	Waste	95,858,009	86,677,802
	Cotton	63,513,008	-
	Other	8,928,674	-
		4,622,449,385	3,629,193,716
28.2	**Export sales**		
	Yarn	3,463,356,078	3,085,343,768
	Fabric	1,248,306,240	800,361,279
		4,711,662,318	3,885,705,047
29.	**COST OF GOODS SOLD**		
	Finished goods		
	Opening	756,673,509	675,798,671
	Yarn purchased	465,836,101	206,843,771
	Cost of other material sold	6,501,398	
	Cost of goods manufactured (Note:29.1)	7,354,735,125	6,051,224,073
		8,583,746,133	6,933,866,515
	Closing	(957,605,080)	(756,673,509)
		7,626,141,053	6,177,193,006
29.1	**Cost of goods manufactured**		
	Raw material consumed (Note: 29.1.1)	5,515,387,477	4,307,016,503
	Wages, salaries and benefits (Note: 29.1.2)	580,917,565	512,961,366
	Stores and spares consumed	287,660,379	362,106,792
	Power, fuel and water	695,157,855	649,051,433
	Rent, rates and taxes	2,878,677	2,886,952
	Insurance	21,822,630	14,716,940
	Repair and maintenance	14,112,695	12,067,481
	Other expenses	25,219,068	31,062,446
	Depreciation	190,779,888	172,475,827
		7,333,936,234	6,064,345,740
	Work in process		
	Opening	95,959,817	82,838,150
	Closing	(123,573,750)	(95,959,817)
		(27,613,933)	(13,121,667)
	Cost of goods manufactured	7,306,322,301	6,051,224,073
	Cost of cotton sold	54,914,222	-
	Cost of other material sold	(6,501,398)	-
		7,354,735,125	6,051,224,073
29.1.1	**Raw material consumed**		
	Opening stock	1,376,560,571	1,315,914,928
	Add: Purchases	5,381,766,155	4,367,662,146
		6,758,326,726	5,683,577,074
	Less: Cost of cotton sold	(54,914,222)	
	Closing stock	(1,188,025,027)	(1,376,560,571)
	-	5,515,387,477	4,307,016,503

29.1.2 It includes Rs.27,672,518 (2009 : Rs.17,511,664) on account of staff retirement benefits.

		Jun-30 2010 RUPEES	Jun-30 2009 RUPEES
30	**Distribution Cost**		
	LOCAL		
	Commission	21,423,811	16,162,452
	Freight	15,461,593	13,277,649
		36,885,404	29,440,101
	EXPORT		
	Commission	48,744,376	66,961,190
	Export development surcharge	10,036,721	9,540,842
	Freight	99,313,950	105,432,631
	Duty on yarn	565,515	-
	Clearing and forwarding	91,219,467	102,799,928
		249,880,029	284,734,591
		286,765,433	314,174,692

31	**ADMINISTRATIVE EXPENSES**		
	Director's remuneration (Note: 31.1)	1,632,000	1,968,000
	Salaries and benefits (Note: 31.2)	10,270,091	11,285,774
	Printing and stationery	1,174,615	1,659,614
	Communication	1,980,344	1,750,225
	Traveling and conveyance	2,317,709	2,143,576
	Legal and professional charges	863,887	1,335,411
	Auditors remuneration (Note: 31.3)	1,169,950	824,500
	Rent, rates and taxes	384,862	328,830
	Entertainment	464,185	739,585
	Electricity, gas and water charges	1,859,715	1,002,635
	Fees and subscription	408,977	1,330,146
	Repairs and maintenance	66,600	123,030
	Charity and donation (Note: 31.4)	2,943,630	1,950,766
	Depreciation	7,203,609	7,825,144
	Brokerage and discount	22,000	41,000
		32,762,174	34,308,236

31.1 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES REMUNERATION

	CHIEF EXCETIVE		DIRECTORS	
	For the year ended June 30, 2010	For the year ended June 30, 2009	For the year ended June 30, 2010	For the year ended June 30, 2009
Remuneration	279,996	240,000	807,996	1,072,000
House rent allowance	112,008	96,000	323,208	428,800
Perquisites	27,996	24,000	80,796	107,200
TOTAL	420,000	360,000	1,212,000	1,608,000
Number of persons	**1**	**1**	**3**	**4**

31.2 It includes Rupees 549,814 (2009 : Rupees 935,940) on account of staff retirement benefits.

31.3	**Auditors' remuneration**		
	Audit fee	1,000,000	665,000
	Half yearly review and other certification fee	114,950	104,500
	Code of corporate governance review	30,000	30,000
	Out of pocket expenses	25,000	25,000
		1,169,950	824,500

31.4 Directors and their spouse have no interest in the donees

		Jun-30 2010 RUPEES	Jun-30 2009 RUPEES
32	**OTHER OPERATING EXPENSE**		
	Capital loss on sale of shares	45,310,563	106,723,513
	Workers' profit participation fund	20,171,404	4,937,464
	Workers' welfare fund	7,665,133	1,974,986
		73,147,100	113,635,963

33	**OTHER OPERATING INCOME**		
	Profit on sale of assets	18,001	44,581
	Rental income	2,286,448	2,600,744
	Dividend income	3,161,389	3,609,025
	Electric power income (Note 33.1)	16,314,675	31,498,756
	Appreciation in the fair value of investment	824,187	16,140,853
		22,604,700	53,893,959
33.1	**Electric power income**		
	Salaries and wages	12,469,719	11,847,701
	Fuel and store consumed	777,069,461	560,060,259
	Repair and maintenance	3,484,661	3,567,726
	Other expenses	5,707,974	4,898,198
	Depreciation	35,836,815	30,770,805
		834,568,630	611,144,689
	Less: self use - spinning	423,002,467	417,128,388
	weaving	178,615,312	158,125,222
		601,617,779	575,253,610
		232,950,851	35,891,079
	Sale out side	249,265,526	67,389,835
	Less expense	(232,950,851)	(35,891,079)
	Profit 33.1	16,314,675	31,498,756

34	**FINANCE COST - NET**		
	Mark up on		
	Finance charges on lease assets	39,244,449	44,119,337
	Short term loans	650,096,999	404,525,463
	Long term loans	266,484,068	263,730,277
	Loss on derivative financial instrument	-	113,972,204
	Workers' profit participation fund (Note: 13.2)	213,629	406,124
	Bank charges	6,269,963	7,190,726
		962,309,108	833,944,131
	Less: Financial income		
	Interest on TFC investment	-	27,214
	Interest on TDR-Dawood Islamic Bank -SUKUK	-	3,404,259
	Total financial income	-	3,431,473
	Net finance cost	962,309,108	830,512,658

35 TAXATION

35.1 The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the total tax liability of the company is covered under presumptive tax regime under section 115 (4) of the Income Tax Ordinance, 2001.

The provision for current taxation includes amount of Rs. 75,306,598 (2009: Rs.37,317,491) and Deferred tax of Rs 45,250,898 (2009: 30,929,469).

36 EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basis earnings per share of the company which is based on:

Profit after taxation	**Rs.**	255,034,039	30,721,207
Number of ordinary shares		9,025,000	3,125,000
Earnings per share in rupees	**Rs.**	28.26	9.83

		Jun-30 2010 RUPEES	Jun-30 2009 RUPEES
37	**CASH GENERATED FROM OPERATIONS**		
	Profit before taxation	375,591,535	98,968,167
	Adjustment for item involving non movement of fund		
	Depreciation	233,820,311	211,071,776
	Financial charges - net	962,309,108	830,512,658
	(Gain) / loss on sale of fixed assets	(18,001)	(44,581)
	Dividend income	(3,161,389)	(3,609,025)
	Provision for gratuity	28,433,052	18,489,935
	Provision for (appreciation)/ diminution in the value of investment	824,187	(16,140,853)
	Provision for workers' profit participation fund	20,171,404	4,937,464
		1,242,378,672	1,045,217,374
	Profit before working capital changes	1,617,970,207	1,144,185,541
	(Increase)/decrease in current assets		
	Stocks, stores and spares	(174,928,523)	(175,832,119)
	Trade debts	361,956,787	(330,398,653)
	Loans and advances, prepayments and other receivables	3,226,825	(61,769,306)
		190,255,089	(568,000,078)
	Increase in current liabilities		
	Creditors, accrued and other liabilities	61,036,458	(62,137,556)
		1,869,261,754	514,047,907

38 **PLANT CAPACITY AND PRODUCTION**

Spinning

		2010	2009
a	Total no of spindles installed	**73,488**	**73,488**
	Total no of rotors installed	**1,104**	**1,104**
b	Average no of spindles worked	**73,488**	**73,488**
	Average no of rotors worked	**1,104**	**1,104**
c	Numbers of shift worked per day	**3**	**3**
d	Capacity of industrial unit after conversion into 20/s count	**29,438,125**	**29,438,125**
e	Actual production after conversion into 20/s count	**26,266,460**	**28,266,460**

It is difficult to describe the production capacity in textile industry since it fluctuates widely depending upon various factors such as count of the yarn spun spindles speed twist per inch and raw material used etc.

Weaving

	2010	2009
Rated capacity converted into 60 picks (Square meters)	**70,763,414**	**70,763,414**
Actual production converted to 60 picks (square meters)	**65,614,543**	**69,453,312**
Total numbers of looms worked	**234**	**234**
Number of shifts worked per day	**3**	**3**

Power Plant

	2010	2009
Installed capacity	**311.856 MW**	**311.856MW**
Installed capacity per hour per day	**35.6MWH**	**35.6MWH**
Prime capacity	**19.3MW**	**19.3MW**
Stand by	**16.2MW**	**16.2MW**
Installed prime capacity per hour per day	**169.068MWH**	**169.068MWH**
Actual generated per hour per day	**135.176MWH**	**135.176MWH**

Reason for Short Fall if Any

The installed capacity includes the stand by generation which is only used case of emergency shutdown of the prime engines.

16 **PROPERTY, PLANT AND EQUIPMENT- 30-06-2010**

PARTICULARS	COST			RATE %	DEPRECIATION			W. D. V.
	AS AT 1-Jul-2009	ADDITION/ (DISPOSAL)	AS AT 30-Jun-2009		AS AT 1-Jul-2009	For the Year	AS AT 30-Jun-2010	AS AT 30-Jun-2010
OWNED ASSETS								
Land - leased hold	92,502,187	535,710	93,037,897	-	3,559,358	906,147	4,465,505	88,572,392
Land - free hold	439,940,000	-	439,940,000	-	-	-	-	439,940,000
Building			-				-	
Building - lease hold	357,769,929	26,567,595	384,337,524	5	61,363,704	15,453,711	76,817,415	307,520,109
Building - free hold	428,412,502	47,468,064	475,880,566	5	121,460,408	16,531,055	137,991,463	337,889,103
Labour colony - lease hold	49,743,057	-	49,743,057	5	7,584,376	2,107,934	9,692,310	40,050,747
Labor Colony - free hold	51,652,180	-	51,652,180	5	13,784,060	1,893,406	15,677,466	35,974,714
Plant and machinery	2,809,475,635	26,925,980	2,836,401,615	5	1,274,784,115	77,524,647	1,352,308,762	1,484,092,854
		-						
Electrical fitting	46,307,972	2,854,798	49,162,770	15	27,761,653	3,036,015	30,797,668	18,365,102
Factory equipment	19,177,602	1,748,018	20,925,620	15	13,805,017	874,002	14,679,019	6,246,601
Office premises	22,020,321	100,000	22,120,321	15	8,115,331	2,088,722	10,204,053	11,916,268
Office equipment	18,706,640	1,175,938	19,882,578	15	11,648,096	1,147,400	12,795,496	7,087,082
Furniture and fixture	12,313,888	233,800	12,547,688	15	8,618,211	563,063	9,181,274	3,366,414
Vehicles	46,929,503	725,000	47,153,003	15	27,862,936	2,908,549	30,281,984	16,871,019
		(501,500)			(489,501)			
TOTAL	**4,394,951,416**	**108,334,902**	**4,502,784,818**		**1,580,347,265**	**125,034,651**	**1,704,892,415**	**2,797,892,404**
					(489,501)			
POWER PLANT					1,579,857,764			
Building - lease hold	31,724,992		31,724,992	5	25,365,168	317,991	25,683,159	6,041,833
Building - free hold	89,391,861		89,391,861	5	17,408,468	3,599,170	21,007,638	68,384,223
Plant and machinery	825,009,258	5,494,770	830,504,028	5	283,783,247	27,245,112	311,028,359	519,475,669
Electrical fitting	42,460,306	752,761	43,213,067	15	16,110,411	4,012,074	20,122,485	23,090,582
Office equipment	36,300		36,300	15	14,593	3,256	17,848	18,452
Furniture and fixture	445,150		445,150	15	242,790	30,354	273,144	172,006
Factory equipment	6,968,254	75,820	7,044,074	15	2,606,120	662,468	3,268,588	3,775,486
Vehicles	940,725		940,725	15	811,995	19,310	831,305	109,420
TOTAL	**996,976,846**	**6,323,351**	**1,003,300,197**		**346,342,792**	**35,889,735**	**382,232,526**	**621,067,671**
WEAVING ASSETS								
Building on free hold land	247,210,625	2,016,336	249,226,961	5	80,770,093	8,375,742	89,145,835	160,081,126
Labour colony free hold	24,609,823		24,609,823	5	5,412,413	959,871	6,372,284	18,237,539
Plant and machinery	1,141,605,981	3,660,803	1,145,266,784	5	360,143,643	39,173,821	399,317,464	745,949,320
Electrical fitting	28,549,109		28,549,109	15	16,190,249	1,853,829	18,044,078	10,505,031
Factory equipment	10,646,918		10,646,918	15	4,863,086	867,575	5,730,661	4,916,253
Office equipment	1,105,243		1,105,243	15	422,182	102,459	524,641	580,602
Furniture and fixture	1,662,674		1,662,674	15	915,022	112,148	1,027,170	635,504
Vehicles	2,465,667	-	2,465,667	15	943,345	228,348	1,171,693	1,293,974
TOTAL	**1,457,856,040**	**5,677,139**	**1,463,533,179**		**469,660,033**	**51,673,793**	**521,333,826**	**942,199,349**
TOTAL OWNED ASSETS	**6,849,784,302**	**120,335,392**	**6,969,618,194**		**2,396,350,090**	**212,598,178**	**2,608,458,766**	**4,361,159,424**
LEASED ASSETS								
Plant and machinery	444,346,375	17,339,064	461,685,439	5	26,492,686	21,222,133	47,714,819	413,970,620.00
G.TOTAL 30.06.2010 Rupees	**7,294,130,677**	**137,674,456**	**7,431,303,633**		**2,422,842,776**	**233,820,311**	**2,656,173,585**	**4,775,130,044**

	June30 ,2010	June 30 - 2009
	Rupees	Rupees
16.1 Depreciation Charged as under:		
Cost of sale-Spinning	139,134,556	120,123,836
Cost of sale-Weaving	51,645,332	52,351,991
Administrative expenses	7,203,608	7,825,144
Power plant expenses	35,836,815	30,770,805
	233,820,311	**211,071,776**

16.2 Had there been no revaluation, the related figures of cost, accumulated depreciation and W.D.V of revalued assets, would have been as follows:

	June30 ,2010	June 30 - 2009
	Rupees	Rupees
Freehold Land	439,940,000	439,940,000
Lease hold land	6,822,006	7,181,059
Building on freehold land	264,371,358	200,199,924
Building on lease hold land	82,639,372	86,988,812
Plant and machinery	285,407,452	214,507,554
`	1,079,180,188	948,817,349

16.3 **DISPOSAL OF PROPERTY PLANT & EQUIPMENTS**

Particulars	Purchase Date	Original Cost	Accumulated Depreciation	Sale Date	Sale Proceeds	Particulars of Purchaser
Toyota Liatace	2/7/1993	501500	489501	4/22/2010	30,000	MR.ABDUL ALEEM H/NO 570, BALOCH PARA NEW TOWN,JAHANGIR ROAD, KARACHI

16 PROPERTY, PLANT AND EQUIPMENT 30-06-09

PARTICULARS	COST / REVALUATION				RATE %	DEPRECIATION / AMORTIZATION			W. D. V.
	AS AT 1-Jul-2008	ADDITION/ (ADJUSTMENT)	REVALUEATION	AS AT 30-Jun-2009		AS AT 1-Jul-2008	FOR THE year	AS AT 30-Jun-2009	AS AT 30-Jun-2009
OWNED ASSETS									
Land									
Land - leased hold	66,196,828		26,305,359	92,502,187	-	2,653,211	906,147	3,559,358	88,942,829
Land - free hold	311,337,604		128,602,396	439,940,000	-	-		-	439,940,000
Building	-			-		-		-	
Building - lease hold	91,505,374	39,705,041	226,559,514	357,769,929	5	56,574,975	4,788,729	61,363,704	296,406,225
Building - free hold	285,362,017	30,602,027	112,448,458	428,412,502	5	111,238,016	10,222,392	121,460,408	306,952,094
Labour colony	-			-		-		-	
Labour colony - lease hold	7,717,203		42,025,854	49,743,057	5	7,019,868	564,508	7,584,376	42,158,681
Labor colony - free old	34,924,988		16,727,192	51,652,180	5	12,449,476	1,334,584	13,784,060	37,868,120
Plant and machinery	2,767,805,483	41,670,151		2,809,475,634	5	1,195,576,357	79,207,758	1,274,784,115	1,534,691,519
Electrical fitting	41,060,132	5,247,840		46,307,972	15	24,753,688	3,007,966	27,761,654	18,546,318
Factory equipment	18,851,302	326,300		19,177,602	15	12,892,022	912,995	13,805,017	5,372,585
Office premises	22,020,321			22,020,321	15	5,661,509	2,453,822	8,115,331	13,904,990
Office equipment	17,942,241	764,399		18,706,640	15	10,439,374	1,208,722	11,648,096	7,058,544
Furniture and fixture	12,258,688	55,200		12,313,888	15	7,969,625	648,586	8,618,211	3,695,677
Vehicles	42,641,852	4,657,800		47,299,652	15	25,190,615	3,032,053	27,862,938	19,066,565
		(370,149)		(370,149)		(359,730)			
TOTAL	**3,719,624,033**	**122,658,609**	**552,668,773**	**4,394,951,415**		**1,472,059,006**	**108,288,262**	**1,580,347,268**	**2,814,604,147**
POWER PLANT									
Building									
Building - lease hold	39,775,911	-	(8,050,919)	31,724,992	5	24,713,512	651,656	25,365,168	6,359,824
Building - free hold	37,733,364	479,027	51,179,470	89,391,861	5	15,640,930	1,767,538	17,408,468	71,983,393
Plant and machinery	701,308,760	123,700,498		825,009,258	5	260,382,120	23,401,127	283,783,247	541,226,011
	-			-					
Electrical fitting	36,383,481	6,076,825		42,460,306	15	11,837,694	4,272,717	16,110,411	26,349,895
Office equipment	36,300	-		36,300	15	10,763	3,830	14,593	21,707
Furniture and fixture	445,150			445,150	15	207,080	35,710	242,790	202,360
Factory equipment	5,474,930	1,493,324		6,968,254	15	1,990,610	615,510	2,606,120	4,362,134
Vehicles	940,725	-		940,725	15	789,278	22,717	811,995	128,730
TOTAL	**822,098,621**	**131,749,674**	**43,128,551**	**996,976,846**		**315,571,987**	**30,770,805**	**346,342,792**	**650,634,054**
WEAVING ASSETS									
Building on free hold land	202,144,414	19,767,632	25,298,579	247,210,625	5	74,010,773	6,759,320	80,770,093	166,440,532
Labour colony free hold	23,647,884	-	961,939	24,609,823	5	4,439,890	972,523	5,412,413	19,197,410
Plant and machinery	1,138,955,581	2,650,400	-	1,141,605,981	5	319,068,259	41,075,384	360,143,643	781,462,338
Electrical fitting	28,549,109	-	-	28,549,109	15	14,009,274	2,180,975	16,190,249	12,358,860
Factory equipment	10,646,918		-	10,646,918	15	3,842,410	1,020,676	4,863,086	5,783,832
Office equipment	931,573	173,670	-	1,105,243	15	307,772	114,410	422,182	683,061
Furniture and fixture	1,662,674		-	1,662,674	15	783,083	131,939	915,022	747,652
Vehicles	1,325,900	1,139,767	-	2,465,667	15	707,733	235,612	943,345	1,522,322
TOTAL	**1,407,864,053**	**23,731,469**	**26,260,518**	**1,457,856,040**		**417,169,194**	**52,490,839**	**469,660,033**	**988,196,007**
TOTAL OWNED ASSETS	**5,949,586,707**	**278,139,752**	**622,057,842**	**6,849,784,301**		**2,204,800,187**	**191,549,906**	**2,396,350,093**	**4,453,434,208**
LEASED ASSETS									
Plant and machinery	234,653,731	209,692,644		444,346,375	5	6,970,816	19,521,870	26,492,686	417,853,689
G.TOTAL 30.06.2009 Rupees	**6,184,240,438**	**487,832,396**	**622,057,842**	**7,294,130,676**		**2,211,771,003**	**211,071,776**	**2,422,842,779**	**4,871,287,897**

39 Segment Analysis

The segment information for the reportable segment for the year ended 30th June 2010 is as follows:

Operation Results	Spinning		Weaving		Power Generation		Company	
	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09
SALES								
Local	3,042,423,525	1,894,234,638	1,580,025,860	1,734,959,078	249,265,526	67,389,835	4,871,714,911	3,696,583,551
Export	3,463,356,078	3,085,343,768	1,248,306,240	800,361,279	-	-	4,711,662,318	3,885,705,047
Inter-Segment Transfer	913,250,691	949,521,691	-	-	601,617,779	575,253,610	1,514,868,470	1,524,775,301
	7,419,030,294	5,929,100,097	2,828,332,100	2,535,320,357	850,883,305	642,643,445	11,098,245,699	9,107,063,899
Cost of sales	5,202,010,195	4,970,366,221	2,424,130,858	2,156,348,481	834,568,630	611,144,689	8,460,709,683	7,737,859,391
Gross profit	2,217,020,099	958,733,876	404,201,242	378,971,878	16,314,675	31,498,756	2,637,377,532	1,369,204,510
Distribution cost	(242,031,872)	(272,102,799)	(44,733,561)	(42,071,893)	-	-	(286,765,433)	(314,174,692)
Administrative cost	(22,457,400)	(22,732,638)	(9,860,055)	(11,575,598)	-	-	(32,762,174)	(34,308,236)
	(264,489,272)	(294,835,437)	(54,593,616)	(53,647,491)	-	-	(319,082,888)	(348,482,928)
Operating results	1,952,530,827	663,898,439	349,607,626	325,324,387	16,314,675	31,498,756	2,318,453,128	1,020,721,582
39.1 Segment Assets	5,335,708,913	5,758,220,858	2,234,381,883	2,082,868,397	759,182,898	734,099,056	8,329,273,694	8,622,325,930
Unallocated assets							178,828,069	289,720,114
							8,508,101,763	8,912,046,044
39.2 Segment Liabilities	119,678,298	94,965,206	90,946,440	54,928,091	46,227,133	30,668,926	256,851,871	180,562,223
Unallocated liabilities							5,950,960,824	7,455,352,455
							6,207,812,695	7,635,914,678

39.3 Inter-Segment Pricing

Transactions among the business segments are recorded at arm`s length prices using admissible valuation methods.
There were no major customer of the company which formed 10 percent or more of the company's revenue.

39 Segment Analysis

The segment information for the reportable segment for the year ended 30th June 2010 is as follows:

Operation Results	Spinning		Weaving		Power Generation		Company	
	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09
SALES								
Local	3,042,423,525	1,894,234,638	1,580,025,860	1,734,959,078	249,265,526	67,389,835	4,871,714,911	3,696,583,551
Export	3,463,356,078	3,085,343,768	1,248,306,240	800,361,279	-	-	4,711,662,318	3,885,705,047
Inter-Segment Transfer	913,250,691	949,521,691	-	-	601,617,779	575,253,610	1,514,868,470	1,524,775,301
	7,419,030,294	5,929,100,097	2,828,332,100	2,535,320,357	850,883,305	642,643,445	11,098,245,699	9,107,063,899
Cost of sales	5,202,010,195	4,970,366,221	2,424,130,858	2,156,348,481	834,568,630	611,144,689	8,460,709,683	7,737,859,391
Gross profit	2,217,020,099	958,733,876	404,201,242	378,971,876	16,314,675	31,498,756	2,637,536,016	1,369,204,508
Distribution cost	(242,031,872)	(272,102,799)	(44,733,561)	(42,071,893)	-	-	(286,765,433)	(314,174,692)
Administrative cost	(22,902,119)	(22,732,638)	(9,860,055)	(11,575,598)	-	-	(32,762,174)	(34,308,236)
	(264,933,991)	(294,835,437)	(54,593,616)	(53,647,491)	-	-	(319,527,607)	(348,482,928)
Operating results	1,952,086,108	663,898,439	349,607,626	325,324,385	16,314,675	31,498,756	2,318,008,409	1,020,721,580
39.1 Segment Assets	5,335,708,913	5,758,220,858	2,234,381,883	2,082,868,397	759,182,898	734,099,056	8,329,273,694	8,622,325,930
Unallocated assets							178,828,069	289,720,114
							8,508,101,763	8,912,046,044
39.2 Segment Liabilities	119,678,298	94,965,206	90,946,440	54,928,091	46,227,133	30,668,926	256,851,871	180,562,223
Unallocated liabilities							5,950,960,824	7,455,352,455
							6,207,812,695	7,635,914,678

39.3 Inter-Segment Pricing

Transactions among the business segments are recorded at arm`s length prices using admissible valuation methods.
There were no major customer of the company which formed 10 percent or more of the company's revenue.

		Jun-30 2010	Jun-30 2009
40	Reconciliation of reportable segment turnover ,cost of sales ,assets and liabilities		
40.1	**Turnover**		
	Total turnover for reportable segments	10,848,979,543	8,732,795,818
	Elimination of inter-segment turnover	(1,514,868,470)	(1,524,775,301)
	Total turnover	9,334,111,073	7,208,020,517
40.2	**Cost of sales**		
	Total cost of sales for reportable segments	8,460,709,683	7,737,859,391
	Elimination of inter-segment revenue	(1,514,868,470)	(1,524,775,301)
	Total cost of sales	6,945,841,213	6,213,084,090
40.3	**Assets**		
	Total assets for reportable segments	8,329,273,694	8,622,325,930
	Taxation recoverable	122,886,770	121,778,628
	Other financial assets	11,449,355	101,951,705
	Long term investment	26,988,433	48,486,269
	Long term deposit	17,503,512	17,503,512
	Total assets	8,508,101,764	8,912,046,044
40.4	**Liabilities**		
	Total liabilities for reportable segments	256,851,871	180,562,223
	Short term loan	3,193,828,559	3,713,509,816
	loans from directors- subordinated	23,900,000	773,161,770
	Loan from financial institution	601,434,380	807,133,771
	Redeemable capital	1,361,916,667	1,385,000,000
	Accrued markup	117,223,936	113,243,574
	Deferred liabilities	275,089,599	278,865,913
	Finance lease	281,131,137	333,251,962
	Deferred taxation	96,436,546	51,185,649
	Total liabilities	6,207,812,695	7,635,914,678

		Spinning		Weaving		Power Generation		Company	
		Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09
41	**Cost of Goods sold**								
	Opening stock finished goods	222,458,303	281,994,403	534,215,206	393,804,268			756,673,509	675,798,671
	Add: Cost of goods manufactured	4,855,384,526	4,768,936,314	2,499,350,599	2,231,809,455			7,354,735,125	6,051,224,073
	Add: Cost of other material sold	6,501,398	-	-	-			6,501,398	
	Yarn purchases	388,842,807	141,893,807	76,993,294	64,949,964			465,836,101	206,843,771
		5,473,187,034	5,192,824,524	3,110,559,099	2,690,563,687			8,583,746,133	6,933,866,515
	Less: Closing stock finished goods	(271,176,839)	(222,458,303)	(686,428,241)	(534,215,206)			(957,605,080)	(756,673,509)
	Cost of sales	5,202,010,195	4,970,366,221	2,424,130,858	2,156,348,481			7,626,141,053	6,177,193,006

		Spinning		Weaving		Power Generation		Company	
		Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09
41.1	**COST OF GOODS MANUFACTURED**								
	Raw material consumed	4,355,855,513	3,493,219,654	1,159,531,983	813,796,849			5,515,387,496	4,307,016,503
	Inter segment transfer			913,250,691	949,521,691			913,250,691	949,521,691
	Wages, salaries and amenities	479,286,889	412,933,130	101,630,676	100,028,238	12,469,719	11,847,701	593,387,284	524,809,069
	Stores consumed	209,852,557	212,622,684	77,807,822	149,484,108	777,069,461	560,060,259	1,064,729,840	922,167,051
41.2	**Power, Fuel & Water**								
	Inter segment	423,002,467	417,128,388	178,615,312	158,125,222			601,617,779	575,253,610
	Other	87,674,046	70,553,143	5,866,030	3,244,680			93,540,076	73,797,823
	Rent, rates and taxes	2,878,677	2,886,952	-	-			2,878,677	2,886,952
	Insurance	17,147,886	9,824,160	4,674,744	4,892,780			21,822,630	14,716,940
	Repair and maintained	10,463,523	8,997,245	3,649,172	3,070,236	3,484,661	3,567,726	17,597,356	15,635,207
	Other expenses	19,224,779	25,484,785	5,994,289	5,577,661	5,707,974	4,898,198	30,927,042	35,960,644
	Deprecation	139,134,556	120,123,836	51,645,331	52,351,991	35,836,815	30,770,805	226,616,702	203,246,632
		5,744,520,893	4,773,773,977	2,502,666,050	2,240,093,456	834,568,630	611,144,689	9,081,755,573	7,625,012,122
	Add: Opening WIP	54,917,687	50,080,024	41,042,129	32,758,128			95,959,816	82,838,152
	Less: Closing WIP	(79,216,170)	(54,917,687)	(44,357,580)	(41,042,129)			(123,573,750)	(95,959,816)
		5,720,222,410	4,768,936,314	2,499,350,599	2,231,809,455			9,054,141,639	7,611,890,458
41.3	**Raw material consumed**								
	Opening	1,276,470,008	1,182,390,236	100,090,563	133,524,692			1,376,560,571	1,315,914,928
	Purchases	4,148,668,587	3,587,299,426	1,233,097,568	780,362,720			5,381,766,155	4,367,662,146
		5,425,138,595	4,769,689,662	1,333,188,131	913,887,412			6,758,326,726	5,683,577,074
	Less: cost of cotton sold	(54,914,222)						(54,914,222)	-
	Closing	(1,014,368,879)	(1,276,470,008)	(173,656,148)	(100,090,563)			(1,188,025,027)	(1,376,560,571)
		4,355,855,494	3,493,219,654	1,159,531,983	813,796,849			5,515,387,477	4,307,016,503
42	**Distribution Cost**								-
	LOCAL								
	Commission	17,607,004	10,819,592	3,816,807	5,342,860			21,423,811	16,162,452
	Freight	15,104,193	12,821,249	357,400	456,400			15,461,593	13,277,649
		32,711,197	23,640,841	4,174,207	5,799,260			36,885,404	29,440,101
	EXPORT							-	-
	Commission	45,630,902	61,544,830	3,113,474	5,416,360			48,744,376	66,961,190
	Export development surcharges	7,593,933	7,984,831	2,442,788	1,556,011			10,036,721	9,540,842
	Freight	72,588,954	84,785,213	26,724,996	20,647,418			99,313,950	105,432,631
	Duty on yarn	565,515	-	-	-			565,515	-
	Clearing and forwarding	82,941,371	94,147,084	8,278,096	8,652,844			91,219,467	102,799,928
		209,320,675	248,461,958	40,559,354	36,272,633			249,880,029	284,734,591
	Total	242,031,872	272,102,799	44,733,561	42,071,893			286,765,433	314,174,692

44 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company has exposures to the following risks from its use of financial instruments.

Credit risk
Liquidity risk
Market risk

The board of directors has overall responsibility for the establishment and oversight of company's risk management framework. The board is also responsible for developing and monitoring the company's risk management policies.

44.1 Credit risk

44.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 831.676 million (June 30, 2009 : Rs. 1,152.765 million), financial assets which are subject to credit risk aggregate to Rs. 742.116 million (June 30,2009 : Rs. 1,132.042 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows.

	2010 Rupees	2009 Rupees
Long term deposits	17,503,512	17,503,512
Trade debts	524,062,248	886,019,035
Loans and advances	307,593,948	246,023,629
Trade deposits and short term prepayments	-	106,155
Cash and bank balances	3,218,580	3,113,086
	852,378,288	1,152,765,417

44.1.2 The maximum exposure to credit risk for trade debts at the balance sheet date by geographical region is as follows.

	2010 Rupees	2009 Rupees
Domestic	518,200,716	547,500,894
Export	5,861,532	338,518,141
	524,062,248	886,019,035

The majority of export debtors of the company are situated in Asia and far East.

44.1.3 The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows.

	2010 Rupees	2009 Rupees
Yarn	232,550,422	501,362,746
Fabric	279,837,420	362,651,628
Waste	4,907,551	6,218,688
Other	6,766,856	15,785,973
	524,062,249	886,019,035

44.1.4 The aging of trade debtors at the balance sheet is as follows.

	Gross debtors	
	2010	2009
	Rupees	
Not past due	210,194,526	433,009,518
Past due 0 - 30 days	181,082,946	242,047,159
Past due 31 - 90 days	112,715,477	164,543,617
Past due 90 days - 1 year	20,069,300	26,418,742
More than one year		
	524,062,249	866,019,036
	524,062,249	866,019,036

44.2 Liquidity risk

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

	2010					
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
Non - derivative						
Financial liabilities						
Long term loans -Banks	601,343,380	677,518,364	204,542,460	181,062,497	291,913,407	-
Loans from directors- subordinated	23,900,000	23,900,000	-	-	-	23,900,000
Redeemable Capital-Sukuk	1,361,916,667	2,099,518,859	118,720,480	155,712,578	1,625,058,935	200,026,886
Finance lease	281,131,137	361,265,687	57,791,733	56,751,693	246,722,261	-
Trade and other payables	256,851,871	256,851,871	256,851,871	-	-	-
Accrued mark up and interest	117,223,936	117,223,936	117,223,936	-	-	-
Short term borrowings	3,193,828,559	3,518,980,728	3,518,980,728	-	-	-
	5,836,195,550	7,055,259,445	4,274,111,208	393,526,768	2,163,694,603	223,926,886

	2009					
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
Non - derivative						
Financial liabilities						
Long term loans -Banks	807,133,771	915,855,727	185,304,438	157,524,354	573,026,935	-
Loans from directors- subordinated	773,161,770	-	-	-	-	773,161,770
Redeemable Capital-Sukuk	1,385,000,000	2,463,909,308	97,537,392	120,266,696	1,600,444,782	645,660,438
Finance lease	333,251,962	454,983,364	61,837,135	50,594,019	342,552,210	-
Trade and other payables	180,562,222	180,562,222	180,562,222	-	-	-
Accrued mark up and interest	113,243,574	113,243,574	113,243,574	-	-	-
Short term borrowings	3,713,509,816	4,064,035,279	4,064,035,279	-	-	-
	7,305,863,115	8,192,589,474	4,702,520,040	328,385,069	2,516,023,927	1,418,822,208

44.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark up rates effective as at June 30. The rates of mark up have been disclosed in relevant notes to these financial statements.

44.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The company is exposed to currency risk and interest rate risk only.

44.3.1 Currency risk

Exposure to currency risk

The company is exposed to currency risk on trade debts, borrowing and import of raw material and stores that are denominated in a currency other than the respective functional currency of the company, primarily in US Dollar and Euro. The currencies in which these transactions primarily are denominated is US Dollar and Euro. The company's exposure to foreign currency risk is as follows.

	US Dollar	Euro	Others	Rupees
Trade debts 2010	68,862	-	-	5,861,532
Trade debts 2009	4,195,455		-	338,518,141

The following significant exchange rates applied during the year.

	Average rates		Reporting date rates	
	2010	2009	2010	2009
US Dollar to Rupee	82.90343605	74.55	85.12	80.69

44.3.2 Sensitivity analysis

5% strengthening of Pak Rupee against the following currencies at June 30, would have increased / (decreased) equity and profit and loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. 5% weakening of Pak Rupee against the above currencies at periods ends would have had the equal but opposites effect on the above currencies to the amount shown below, on the basis that all other variables remain constant.

	2010 Rupees	2009 Rupees
US Dollar	(293,077)	(16,925,907)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the company.

44.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposures arises from short and long term borrowings from bank and term deposits and deposits in PLS saving accounts with banks. At reporting date the interest rate profile of the company's interest bearing financial instrument is as follows.

		2010 Rupees	2009 Rupees
44.5	**Fixed rate instruments**		
	Financial assets	-	-
	Financial liabilities	353,846,736	379,838,483
44.6	**Variable rate instruments**		
	Financial assets	-	-
44.7	Financial liabilities	5,184,464,007	5,859,057,066

44.8 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

44.9 Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for June 30, 2009.

	Profit and loss		Equity	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
	Rupees			
Cash flow sensitivity - variable rate instruments 2010	51,844,640	(51,844,640)	-	-
Cash flow sensitivity - variable rate instruments 2009	58,590,571	(58,590,571)	-	-

44.10 Fair value of financial assets and liabilities

The carrying value of all financial instruments reflected in the financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

	2010 Rupees	2009 Rupees
45 Off balance sheet items		
Bills discounted with recourse	-	100,352,268
Bank guarantees issued in ordinary course of business		167,736,123
Letters of credit for raw material	157,388,380	40,255,197
Letters of credit for stores and spares	1,896,719	30,000,300

45.1 The effective rate of interest / mark up for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

46 CAPITAL RISK MANAGEMENT

The company's prime object 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 the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total capital employed. Borrowings represent long term financing, long term financing from directors and others and short term borrowings. Total capital employed includes total equity as shown in the balance sheet plus borrowings.

		2010	2009
Borrowings	Rupees	5,438,310,743	6,238,895,549
Total equity	Rupees	2,325,154,584	2,049,293,137
Total capital employed	Rupees	7,763,465,327	8,288,188,686
Gearing ratio	Percentage	70.05	75.27

47 CORRESPONDING FIGURES

Comparative information has been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison.

48 NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed a final cash dividend for the year ended June 30, 2010 of Rs. 2/= per share i.e. (2009:NIL) amounting to Rs. 26,000,0000 (2009: NIL) at their meeting held on October 8 , 2010 for approval of the members at the Annual General Meeting to be held on October 30, 2010. These Financial Statements don't reflect this impact.

49 GENERAL

-Figures have been rounded off to the nearest rupees.

50 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on October 08, 2010 by the board of directors of the company.

Khalid Iqbal
Chief Executive

Omer Khalid
Director

Karachi : October 08, 2010