FAZAL CLOTH MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	3	5,945,743,637	5,726,901,838
Intangible assets	4	6,220,596	7,062,749
Long term investments	5	596,841,506	467,888,456
Long term loans	6	1,504,830	952,200
Long term deposits		12,894,365	11,448,365
		6,563,204,934	6,214,253,608
CURRENT ASSETS			
Stores, spares and loose tools	7	175,918,362	135,097,368
Stock-in-trade	8	2,645,452,686	2,222,090,661
Trade debts	9	883,729,860	739,099,799
Loans and advances	10	427,308,670	291,926,142
Trade deposits and short term prepayments	11	12,282,677	4,463,247
Interest / markup accrued	12	-	37,751,496
Other receivables	13	2,648,375	18,869,570
Other financial assets	14	16,132,400	9,214,100
Tax refunds due from government	15	42,602,780	49,039,261
Cash and bank balances	16	123,497,519	77,400,115
		4,329,573,329	3,584,951,759
		10,892,778,263	**9,799,205,367**

FAZAL CLOTH MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital			
40,000,000 (2009: 40,000,000) Ordinary shares of Rs. 10 each		400,000,000	400,000,000
30,000,000 (2009: 30,000,000) Preference shares of Rs. 10 each		300,000,000	300,000,000
		700,000,000	700,000,000
Issued, subscribed and paid up capital	17	437,551,940	437,551,940
Capital reserves	18	177,616,000	127,616,000
Unappropriated profits		1,702,733,550	1,135,491,465
		2,317,901,490	1,700,659,405
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	19	2,280,444,023	2,284,908,235
NON-CURRENT LIABILITIES			
Long term financing	20	1,573,814,880	1,569,695,888
Long term musharaka	21	71,266,367	118,777,283
Bills Payables	22	154,398,656	-
Deferred liabilities	23	848,175,803	896,490,598
Custom duties	24	104,416,117	84,183,386
		2,752,071,823	2,669,147,155
CURRENT LIABILITIES			
Trade and other payables	25	589,896,693	288,870,787
Interest/mark-up accrued on loans	26	121,477,564	151,221,975
Short term borrowings	27	2,177,448,310	2,248,333,323
Current portion of non current liabilities	28	443,396,812	418,292,230
Provision for taxation	29	210,141,548	37,772,257
		3,542,360,927	3,144,490,572
CONTINGENCIES AND COMMITMENTS	30		
		10,892,778,263	**9,799,205,367**

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

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

FAZAL CLOTH MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
Sales	31	11,210,976,902	8,651,230,022
Cost of sales	32	(9,638,169,018)	(7,455,193,255)
Gross profit		1,572,807,884	1,196,036,767
Distribution cost	33	(187,079,499)	(157,206,669)
Administrative expenses	34	(111,252,565)	(90,019,759)
Other operating expenses	35	(60,379,001)	(25,849,347)
Finance cost	36	(620,939,936)	(752,731,269)
		593,156,883	170,229,723
Other operating income	37	136,100,281	9,296,137
Profit before taxation		729,257,164	179,525,860
Provision for taxation	38	(202,549,291)	(92,274,975)
Profit after Taxation		**526,707,873**	**87,250,885**
Other comprehensive Income net of tax		-	-
Total comprehensive income for the year		**526,707,873**	**87,250,885**
Earnings per share	39		
Basic		**28.08**	**4.65**
Diluted		**12.91**	**2.95**

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

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

FAZAL CLOTH MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	729,257,164	179,525,860
Adjustments for:		
Depreciation of property, plant and equipment	266,401,671	261,446,826
Amortization of Intangible assets	1,591,735	598,017
Provision for gratuity	25,092,630	24,789,797
Provision for infrastructure cess	20,232,731	13,514,849
Gain on disposal of property, plant and equipment	(716,086)	(1,112,374)
Specie dividend received from associates	(128,953,050)	-
Gain on disposal of other financial assets	(5,379,653)	(1,299,030)
Loss on re-measurement of other financial assets	-	6,150,700
Dividend income	(785,000)	(1,531,900)
Finance cost (inclusive of preference dividend)	620,939,936	752,731,269
Operating cash flows before movement in working capital	1,527,682,078	1,234,814,014
(Increase) / decrease in current assets		
Stores, spares and loose tools	(40,820,994)	(27,123,678)
Stock-in-trade	(423,362,025)	(209,790,268)
Trade debts	(144,630,061)	(1,876,215)
Loans and advances	(27,575,549)	(182,440,583)
Trade deposits and short term prepayments	(7,819,430)	4,444,148
Tax refunds due from government	6,436,481	(10,224,355)
Interest / markup accrued	37,751,496	(10,328,705)
Other receivables	16,221,195	(12,647,203)
Increase in trade and other payables	301,025,906	40,814,416
	(282,772,981)	(409,172,443)
Cash generated from operations	1,244,909,097	825,641,571
Gratuity paid	(17,517,425)	(12,488,261)
Income taxes paid	(107,806,979)	(67,010,638)
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,119,584,693	746,142,672
Long term loans to employees - net	(552,630)	(777,200)
Long term deposits	(1,446,000)	815,000
NET CASH FROM OPERATING ACTIVITIES (A)	1,117,586,063	746,180,472
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(486,628,692)	(230,904,113)
Proceeds from disposal of property, plant and equipment	2,101,307	3,700,081
Purchase of intangible assets	(749,582)	(4,670,673)
(Purchase) / Proceeds from disposal of other financial assets	(1,538,647)	13,598,530
Dividend received from trading investment	785,000	1,531,900
NET CASH USED IN INVESTING ACTIVITIES (B)	(486,030,614)	(216,744,275)

	2010 Rupees	2009 Rupees
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained	401,129,034	406,150,657
Long term financing repaid	(371,905,463)	(359,139,217)
Long term Musharka – net	(47,510,916)	(35,633,187)
Bill payable obtained	154,398,656	-
Short term borrowings - net	(70,885,013)	(135,317,531)
Finance cost paid	(650,684,343)	(697,629,799)
NET CASH USED IN FROM FINANCING ACTIVITIES (C)	(585,458,045)	(821,569,077)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	46,097,404	(292,132,880)
Cash and cash equivalents at July 01	77,400,115	369,532,995
Cash and cash equivalents at June 30	**123,497,519**	**77,400,115**

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

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

FAZAL CLOTH MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Note	Share capital	Capital reserves		Un-appropriated profits	Total
			Share premium	Capital Redemption Reserve Fund		
		……………………………………………..Rupees……………………………………………………				
Balance as at July 01, 2008		437,551,940	77,616,000	-	1,006,488,092	1,521,656,032
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	19	-	-	-	91,752,488	91,752,488
Total comprehensive income for the year ended June 30, 2009		-	-	-	87,250,885	87,250,885
Transfer to capital redemption reserve fund from unappropriated profit		-	-	50,000,000	(50,000,000)	-
Balance as at June 30, 2009		437,551,940	77,616,000	50,000,000	1,135,491,465	1,700,659,405
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	19	-	-	-	90,534,212	90,534,212
Total comprehensive income for the year ended June 30, 2010		-	-	-	526,707,873	526,707,873
Transfer to capital redemption reserve fund from unappropriated profit		-	-	50,000,000	(50,000,000)	-
Balance as at June 30, 2010		437,551,940	77,616,000	100,000,000	1,702,733,550	2,317,901,490

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

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**

1. THE COMPANY AND ITS OPERATIONS

1.1 Fazal Cloth Mills Limited (the Company) was incorporated in Pakistan in 1966 as a Public Limited Company under the Companies Act 1913 (now Companies Ordinance, 1984) and its shares are quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at Ist floor, 16 Bank Square, Lahore. The Company is engaged in manufacture and sale of yarn. The manufacturing facilities are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.

1.2 These financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.1.1 Adoption of new International Financial Reporting Standards

In the current year, the Company has adopted all new Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Company's accounting period beginning on July 01, 2009. The adoption of these new Standards and Interpretations has resulted in changes to the Company's accounting policies in the following areas:

IAS 1 (revised) - Presentation of Financial Statements — January 01, 2009

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Further, under revised standard, an entity may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Company has opted to present the components of profit or loss as part of a single statement of comprehensive income (as opted by the company) as permitted under revised IAS 1.

As surplus on revaluation of assets does not form part of the equity under the local laws and is presented below the equity in the balance sheet, accordingly changes in equity arising from surplus on revaluation of assets have not been considered part of comprehensive income and accordingly these are not included in the statement of comprehensive income presented in these financial statements.

Accordingly, the adoption of the above standard does not have any significant impact on the presentation of the Company's financial statements and does not require the restatement or reclassification of comparative information. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 8 - Operating Segments	January 01, 2009

IFRS 8 replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Under IFRS 8, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The Board, through the Chief Executive has identified as the CODM. The Company considers itself as a single operating segment company and the Company's performance is evaluated on an overall basis.

2.1.2 *New accounting standards and IFRS interpretations that are not yet effective*

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them:

IFRS 9 - Financial Instruments	January 01, 2013
Amendments to IFRS 2 - Share based Payment	January 01, 2010
Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 01, 2010
Amendments to IAS 7 - Statement of Cash Flows	January 01, 2010
Amendments to IAS 17 - Leases	January 01, 2010
Amendments to IAS 24 - Related Party Disclosures	January 01, 2010

2.1.3 *Interpretations to existing standards that are effective and not relevant for the company's operations*

The following new and revised Standards and Interpretations has been published and is mandatory for the company's accounting year beginning on July 01, 2009 but is not relevant for the Company's operations.

Amendments to IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance	January 01, 2009
Amendments to IAS 40 - Investment Property	January 01, 2009
Amendments to IAS 23 - Borrowing Costs	January 01, 2009
IFRS 2 - Share-based Payment : Vesting Conditions and Cancellations	January 01, 2009
IFRS 3 - Business Combinations (Revised) and IAS 27 - Consolidated and Separate Financial Statements (Amended) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39	July 01, 2009
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	July 01, 2009
IAS 32- Financial Instruments : Presentation and IAS 1 Puttable Financial Instruments and Obligations arising on Liquidation	January 01, 2009
IAS 38 - Intangible Assets	January 01, 2009

IAS 39 - Financial Instruments : Recognition and Measurement - Eligible Hedged Items	July 01, 2009
IFRIC 9 - Remeasurement of Embedded derivatives and Financial Instruments : Recognition and Measurement	July 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 17 - Distribution of Non-cash Assets to Owners	January 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009

2.2 Accounting convention and basis of preparation

These financial statements have been prepared under the historical cost convention, except for:

- modification of foreign currency translation adjustments as stated in note 2.3,
- recognition of employee retirement benefits at present value,
- long term investments,
- property, plant and equipment as stated in note 2.7, and
- revaluation of certain Property, plant and equipment
- certain financial instruments at fair value

2.3 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates. All exchange fluctuations are taken to profit and loss account.

2.4 Staff retirement benefits

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision for gratuity is made annually to cover obligation under the scheme in accordance with actuarial recommendations. The projected unit credit method is based on assumptions stated in note 23.1.

2.5 Trade and other payables

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

2.6 Taxation

Current

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

Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base (the amounts used for taxation purposes). In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets and liabilities are based on the expected tax rates applicable at the time of reversal.

2.7 Property, plant and equipment

Property, plant and equipment except for furniture and fixtures, office equipments, vehicles and capital work in progress are stated at cost less accumulated depreciation and any identified impairment in value. Property, plant and equipment except mentioned above are stated at revalued amount being the fair value at the time of valuation determined by market value/ depreciated replacement cost. Cost includes borrowing cost in respect of qualifying assets as stated in note 2.10.

For capital work in progress, all costs / expenditure connected with specific assets are collected under this head. These are transferred to specific assets as and when assets are available for use.

Depreciation is charged to income applying reducing balance method to write-off the cost over estimated remaining useful life of assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Rates of depreciation are stated in note 3.1.

In respect of additions and disposals during the year, depreciation is charged from the month in which asset becomes available for use and up to the month preceding the disposal respectively.

Gain/ loss on disposal of operating assets is taken to profit and loss account.

Major improvements and modifications are capitalized and assets replaced, if not kept as stand by, are retired. Minor repairs and replacements are taken to profit and loss account.

Surplus arising on revaluation of operating assets is credited to surplus on revaluation of operating assets account. The surplus on revaluation of operating assets to the extent of incremental depreciation charged on the related assets is transferred by the company to its unappropriated profit.

Leased

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

Depreciation is charged to income at the same rates and basis as applicable to the Company's owned assets. Outstanding obligation under lease less finance cost allocated to future periods is shown as liability. The finance cost is calculated at the rate implicit in the lease and is charged to income.

2.8 Intangible assets

Intangible fixed assets are stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to income on straight line basis during the estimated useful life of ten years.

The useful life is reviewed periodically to ensure that it is consistent with the expected pattern of economic benefits.

Amortization is charged from the month of in which asset becomes available for use and up to the month preceding the disposal respectively. Gain/ loss on disposal of intangible assets are taken to profit and loss

Major improvements and modifications are capitalized. Minor repairs and replacements are taken to profit and loss account.

2.9 Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income for items of assets.

2.10 Borrowing costs

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

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

All other borrowing costs are charged to income in the period of incurrence.

2.11 Long term investments

Investments in associates

These investments are accounted for using equity method of accounting and initially are recognized at cost.

Available for sale

Investment securities held by the Company which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at cost less any permanent diminution in value. All purchases and sales are recognized on the trade dates. Changes in carrying values are recognized in other comrehensive income until investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in other comprehensive income is included in profit and loss account for the year.

2.12 Short term investments

Short term investments are designated at fair value through profit or loss at inception. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account. Regular way purchase or sale of held for trading investments is recognized using trade date accounting. A trade date is the date that an enterprise commits to purchase or sell an asset. All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.13 Stores, spares and loose tools

These are valued at moving average cost less allowance for obsolete and slow moving items except items-in-transit which are stated at cost accumulated to the balance sheet date.

2.14 Stock- in- trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw materials	
- At mills	- At lower of weighted average cost of both local and imported stock or net realizable value.
- In transit	- At cost accumulated to the balance sheet date.
Work-in-process	- At manufacturing cost.
Finished goods	- At lower of cost and net realizable value.
Waste	- At net realizable value.

- Cost of finished goods represents annual average manufacturing cost which consists of prime cost and appropriate production overheads.

- Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

2.15 Revenue Recognition

- Sales are recorded on dispatch of goods to customers.
- Return on investments and deposits is accounted for on time proportion basis.
- Dividend income is accounted for when the right to receive is established.
- Gain on sale and lease-back transactions is deferred and is credited to profit and loss account over the lease term.
- Interest/ mark-up is recognized as the interest / mark-up become due.

2.16 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.17 Trade debts and other receivables

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

2.18 Cash and cash equivalents

Cash and cash equivalents consist of cash-in-hand and balances with banks.

2.19 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprises the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

2.20 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.21 Government grants

Government grants that compensates the company for expenses incurred is recognised in the profit and loss account on a systematic basis in the same period in which the expenses are recognised. Government grants are deducted in reporting the related expense.

2.22 Critical judgments in applying accounting policies

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of fixed 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 circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on the ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in the next year.

3. PROPERTY, PLANT AND EQUIPMENT

	Notes	2010 Rupees	2009 Rupees
Operating assets	3.1	5,921,185,536	5,655,304,083
Capital work in progress	3.6	24,558,101	71,597,755
		5,945,743,637	5,726,901,838

3.1 Operating assets

Particulars	Cost/ Revaluation						Depreciation						Carrying value as at June 30, 2010	Rate of depreciation %
	As at July 01, 2009			Additions	Disposals	As at June 30, 2010	As at July 01, 2009	For the year			Disposals	As at June 30, 2010		
	Cost	Revaluation surplus	Total					Cost	Incremental	Total				
	(Rupees)													
Freehold land	78,823,636	494,326,932	573,150,568	-	-	573,150,568	-	-	-	-	-	-	573,150,568	-
Factory building	377,923,682	405,245,756	783,169,438	92,746,418	-	875,915,856	191,870,375	12,273,160	18,286,716	30,559,876	-	222,430,251	653,485,605	5
Non-factory building	223,725,233	240,316,211	464,041,444	9,317,113	-	473,358,557	59,346,010	9,504,492	10,844,266	20,348,758	-	79,694,768	393,663,789	5
Plant and machinery	3,872,059,111	1,705,529,326	5,577,588,437	399,172,879	13,075,041	5,963,686,275	1,709,420,000	122,308,024	76,967,200	199,275,224	12,680,004	1,896,015,220	4,067,671,055	5
Furniture and fixtures	7,210,700	-	7,210,700	145,434	-	7,356,134	3,460,826	381,125	-	381,125	-	3,841,951	3,514,183	10
Office equipment	18,771,282	-	18,771,282	2,289,851	1,397,171	19,663,962	7,096,064	1,265,303	-	1,265,303	505,919	7,855,448	11,808,513	10
Vehicles	47,340,298	-	47,340,298	15,091,314	1,113,863	61,317,748	24,767,798	5,355,355	-	5,355,355	1,014,931	29,108,222	32,209,526	20
Electric fittings and installation	136,514,712	38,205,128	174,719,840	14,397,688	-	189,117,528	54,853,457	4,472,750	1,724,007	6,196,757	-	61,050,214	128,067,315	5
Sui-gas installations	11,902,549	1,074,294	12,976,843	507,649	-	13,484,492	3,907,559	423,676	48,479	472,155	-	4,379,714	9,104,778	5
Tools, laboratory equipment and arms	38,064,086	13,613,285	51,677,371	-	-	51,677,371	19,677,800	985,192	609,788	1,594,980	-	21,272,780	30,404,591	5
Fire extinguishing equipment and	7,347,166	17,516,973	24,864,139	-	-	24,864,139	5,806,388	162,361	789,777	952,138	-	6,758,526	18,105,613	5
	4,819,682,455	**2,915,827,905**	**7,735,510,360**	**533,668,346**	**15,586,075**	**8,253,592,630**	**2,080,206,277**	**157,131,438**	**109,270,233**	**266,401,671**	**14,200,854**	**2,332,407,094**	**5,921,185,536**	

For comparative period

Particulars	Cost/ Revaluation						Depreciation						Carrying value as at June 30, 2009	Rate of depreciatio n %
	As at July 01, 2008			Additions	Disposals	As at June 30, 2009	As at July 01, 2008	For the year			Disposals	As at June 30, 2009		
	Cost	Revaluation surplus	Total					Cost	Incremental	Total				
	(Rupees)													
Freehold land	39,883,068	494,326,932	534,210,000	38,940,568	-	573,150,568	-	-	-	-	-	-	573,150,568	-
Factory building	377,923,682	405,245,756	783,169,438	-	-	783,169,438	160,749,372	11,871,830	19,249,173	31,121,003	-	191,870,375	591,299,063	5
Non-factory building	115,731,260	240,316,211	356,047,471	107,993,973	-	464,041,444	42,683,769	5,247,220	11,415,020	16,662,240	-	59,346,009	404,695,435	5
Plant and machinery	3,709,008,426	1,705,529,326	5,414,537,752	163,213,840	163,155	5,577,588,437	1,511,337,734	117,224,188	81,018,106	198,242,294	160,028	1,709,420,000	3,868,168,437	5
Furniture and fixtures	6,919,794	-	6,919,794	290,906	-	7,210,700	3,056,050	404,775	-	404,775	-	3,460,825	3,749,875	10
Office equipment	17,731,014	-	17,731,014	1,104,768	64,500	18,771,282	5,869,837	1,247,625	-	1,247,625	21,398	7,096,064	11,675,218	10
Vehicles	40,366,906	-	40,366,906	12,053,600	5,080,208	47,340,298	22,643,599	4,662,929	-	4,662,929	2,538,729	24,767,799	22,572,499	20
Electric fittings and installation	115,284,496	38,205,128	153,489,624	21,230,216	-	174,719,840	48,906,002	4,132,712	1,814,743	5,947,455	-	54,853,457	119,866,383	5
Sui-gas installations	11,902,549	1,074,294	12,976,843	-	-	12,976,843	3,430,229	426,302	51,029	477,331	-	3,907,560	9,069,283	5
Tools, laboratory equipment and arms	38,026,086	13,613,285	51,639,371	38,000	-	51,677,371	17,998,876	1,037,042	641,882	1,678,924	-	19,677,800	31,999,571	5
Fire extinguishing equipment and	7,347,166	17,516,973	24,864,139	-	-	24,864,139	4,804,138	170,907	831,343	1,002,250	-	5,806,388	19,057,751	5
	4,480,124,447	**2,915,827,905**	**7,395,952,352**	**344,865,871**	**5,307,863**	**7,735,510,360**	**1,821,479,606**	**146,425,530**	**115,021,296**	**261,446,826**	**2,720,155**	**2,080,206,277**	**5,655,304,083**	

3.2 Revaluation of freehold land, building, plant & machinery and other operating assets had been carried out as at June 30, 2007 by an independent valuer M/s Pirsons Chemicals Engineering (Pvt) Ltd. (Listed on Pakistan Bank's Association), on the basis of depreciated replacement values. Revaluation surplus has been credited to surplus on revaluation of operating assets (Refer note 19).

3.3 Had there been no revaluation the related figures of freehold land, building, plant & machinery and other operating assets would have been as follows:

	Cost Rupees	Accumulated depreciation Rupees	Carrying value Rupees
Freehold land	78,823,636	-	78,823,636
Building	703,712,446	272,994,037	430,718,409
Plant and machinery and other	4,466,380,730	1,909,106,452	2,557,274,278
2010	**5,248,916,812**	**2,182,100,489**	**3,066,816,323**
Freehold land	78,823,636	-	78,823,636
Building	601,648,915	220,552,191	381,096,724
Plant and machinery and other	4,065,377,554	1,709,092,052	2,356,285,502
2009	**4,745,850,105**	**1,929,644,243**	**2,816,205,862**

3.4 The following assets were disposed off during the year

Description	Cost	Accumulated depreciation	Carrying value	Sale proceed	Gain	Mode of disposal	Particulars of buyer
	-----------------------	-----------------------	----------(Rupees)	-----------------------	-----------------------		
Plant and Machinery	1,132,427	1,037,672	94,755	100,000	5,245	Negotiation	Muhammad Jameel Kabaria, Muzaffargarh
Plant and Machinery	66,368	64,263	2,105	10,000	7,895	Negotiation	Muhammad Jameel Kabaria, Muzaffargarh
Plant and Machinery	71,497	69,229	2,268	10,000	7,732	Negotiation	Muhammad Jameel Kabaria, Muzaffargarh
Plant and Machinery	86,249	84,351	1,897	30,000	28,103	Negotiation	Muhammad Jameel Kabaria, Muzaffargarh
Plant and Machinery	2,761,759	2,706,786	54,973	100,000	45,027	Negotiation	Muhammad Jameel Kabaria, Muzaffargarh
Plant and Machinery	697,153	663,874	33,279	50,000	16,721	Negotiation	Muhammad Ashraf S/O Muhammad Shareef Siddique, Naghar Faisalabad
Plant and Machinery	617,748	581,343	36,405	50,000	13,595	Negotiation	Muhammad Ashraf S/O Muhammad Shareef Siddique, Naghar Faisalabad
Plant and Machinery	737,442	689,154	48,288	50,000	1,712	Negotiation	Muhammad Ashraf S/O Muhammad Shareef Siddique, Naghar Faisalabad
Plant and Machinery	6,904,398	6,783,329	121,068	375,000	253,932	Negotiation	Mian Niaz Ahmed Habib Khan, Faisalabad
			-		-		
Office Equipment	22,000	3,498	18,502	13,401	(5,101)	Insurance Claim	Adamjee Insurance Company Limited
Office Equipment	1,226,637	455,374	771,263	769,300	(1,963)	Insurance Claim	Adamjee Insurance Company Limited
Office Equipment	90,000	44,119	45,881	33,000	(12,881)	Insurance Claim	Adamjee Insurance Company Limited
Office Equipment	58,534	2,928	55,606	55,606	-	Negotiation	Reliance Commodities (Pvt.) Limited Lahore
			-		-		
			-		-		
Vehicle	48,881	47,145	1,736	5,000	3,264	Negotiation	Hafeez-Ur-Rehman Purchase Officer
Vehicle	1,064,982	967,786	97,196	450,000	352,804	Insurance Claim	New Jubilee Insurance Co. Ltd.
2010	**15,586,075**	**14,200,854**	**1,385,221**	**2,101,307**	**716,086**		
2009	5,307,863	2,720,155	2,587,708	3,700,081	1,112,373		

		Note	2010 Rupees	2009 Rupees
3.5	**Depreciation for the year has been allocated as follows:**			
	Cost of sales	32	259,391,189	255,122,341
	Administrative expenses	34	7,010,482	6,324,485
			266,401,671	**261,446,826**
3.6	**Capital work in progress**			
	Factory buildings			
	Material and expenses		13,005,298	23,014,769
	Advance payments		-	11,111,211
			13,005,298	34,125,980
	Non-factory buildings			
	Material and expenses		6,446,552	2,464,005
	Plant and machinery			
	Cost and expenses		-	8,618,403
	Letters of credit		5,106,251	26,389,367
			5,106,251	35,007,770
			24,558,101	**71,597,755**

4. INTANGIBLE ASSETS

	Note	2010 Rupees	2009 Rupees
Computer software			
Opening balance		2,392,076	2,990,093
Cost capitalized during the year		5,420,255	-
Less: Amortization for the year	34	(1,591,735)	(598,017)
		6,220,596	2,392,076
Computer software under implementation		-	4,670,673
		6,220,596	**7,062,749**

	Note	2010 Rupees	2009 Rupees
6. LONG TERM LOANS			
Considered good			
Executives		1,500,000	2,036,142
Other employees		1,171,602	3,796,084
		2,671,602	5,832,226
Less: Current portion grouped under current assets		1,166,772	4,880,026
		1,504,830	**952,200**

6.1 These interest free unsecured loans have been advanced for various personal purposes and are recoverable in installments which vary from case to case.

	Note	2010 Rupees	2009 Rupees
7. STORES, SPARES AND LOOSE TOOLS			
Stores	7.1	47,421,554	48,013,824
Spares		123,147,568	88,772,301
Loose tools		7,119,556	81,559
		177,688,678	136,867,684
Less: Provision for slow moving items		1,770,316	1,770,316
		175,918,362	**135,097,368**

7.1 This includes stores in transit of Rs. 7.362 million (2009: Rs. 13.529 million).

	Note	2010 Rupees	2009 Rupees
8. STOCK-IN-TRADE			
Raw material	8.1	2,186,926,214	1,781,352,935
Work in process		57,442,903	47,562,922
		2,244,369,117	1,828,915,857
Finished goods			
Yarn	8.2	379,443,954	369,489,432
Waste		21,639,615	23,685,372
		401,083,569	393,174,804
		2,645,452,686	**2,222,090,661**

8.1 This includes raw material in transit of Rs. 149.566 million (2009: Rs. 131.261 million).

8.2 Finished goods includes stock valuing Nil (2009: Rs. 0.508 million) lying with third parties for doubling process.

	Note	2010 Rupees	2009 Rupees
9. TRADE DEBTS			
Considered good			
Secured - Export bills		343,900,580	467,410,038
Unsecured - local	9.6	539,829,280	271,689,761
		883,729,860	**739,099,799**

9.1 Trade receivables are non-interest bearing and are generally on 0 to 180 days terms.

9.2 The Company provides for doubtful debts on the basis of past due balances. Balances considered bad and irrecoverable are written off when identified.

9.3 Trade receivables consist of a large number of diversified customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, provision is made.

9.4 The fair vale of trade receivables approximate their carrying amounts.

9.5 As at year end, none of the trade receivables were either past due nor impaired.

	Note	2010 Rupees	2009 Rupees
9.6 These include due from following associated undertakings on account of trading activities.			
Fazal Rehman Fabrics Limited		58,212,889	11,921,295
Ahmad Fine Textile Mills Limited		31,987,366	10,387,664
Reliance Weaving Mills Limited		-	7,159,045
Amir Fine Exports (Pvt.) Limited		8,400	348,286
Fatima Fertilizers Company Limited		6,006	37,748
Reliance Commodities (Pvt.)Limited		77,090	-
Hussain Ginneries Limited		235,705	-
Fatima Sugar Mills Limited		15,604	-
		90,543,060	**29,854,038**

10. LOANS AND ADVANCES

	Note	2010 Rupees	2009 Rupees
Considered good			
Due from associated undertaking / related party	10.1	200,016,667	199,593,187
Others			
Advances to :			
- Suppliers and contractors		40,335,384	14,839,730
Loan to :			
- Executives	10.2	857,587	1,135,942
- Other employees		4,882,649	3,744,084
Advance income tax/ tax deducted at source		178,139,897	70,332,918
Letters of credit		3,076,486	2,280,281
		427,308,670	**291,926,142**

10.1 Due from associated undertaking / related party
- On account of non-trading activities

Pak Arab Fertilizers Limited	**200,016,667**	**199,593,187**

10.2 Maximum aggregate amount due from executives at any month end during the year was Rs. 1.5 million (2009: Rs. 1.675 million).

11. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Deposits	10,495,922	2,955,070
Prepayments	1,786,755	1,508,177
	12,282,677	**4,463,247**

12. Interest /Markup accrued

This amount includes interest receivable amounting to Nil (2009: Rs. 37.751 million) from Pak Arab Fertilizers Limited (an associated undertaking) against advance for purchase of shares.

	Note	2010 Rupees	2009 Rupees
13. OTHER RECEIVABLES			
Insurance claim receivable		2,648,375	2,188,320
Cotton Claim		-	16,681,250
		2,648,375	**18,869,570**

14. OTHER FINANCIAL ASSETS

Investments
- Financial asset at fair value through profit and loss account

In quoted companies			
Oil & Gas Development Co. Limited Nil (2009: 90,000) fully paid ordinary shares of Rs. 10 each		-	7,077,600
Pakistan State Oil Company Limited 62,000 (2009: 10,000) fully paid ordinary shares of Rs. 10 each		16,132,400	2,136,500
		16,132,400	**9,214,100**

15. TAX REFUNDS DUE FROM GOVERNMENT

Sales tax		36,302,577	42,739,058
Income tax		6,300,203	6,300,203
		42,602,780	**49,039,261**

16. CASH AND BANK BALANCES

Cash in hand		1,025,723	905,759
Cash at banks on:			
- Current accounts		121,672,261	65,089,717
- Dividend accounts		551,630	551,878
- Saving accounts	16.1	247,905	10,852,761
		122,471,796	76,494,356
		123,497,519	**77,400,115**

16.1 Rate of interest and mark up on saving accounts ranges from 5% to 8.2% (2009: 5.17% to 5.32%).

17. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Ordinary shares	17.1	187,551,940	187,551,940
Preference shares	17.2	250,000,000	250,000,000
		437,551,940	**437,551,940**

17.1 Ordinary Shares

2010 (Number of shares)	2009 (Number of shares)		2010 Rupees	2009 Rupees
1,000,000	1,000,000	Ordinary shares of Rs. 10 each fully paid in cash	10,000,000	10,000,000
9,187,200	9,187,200	Ordinary shares of Rs. 10 each fully paid as right shares	91,872,000	91,872,000
8,567,994	8,567,994	Ordinary shares of Rs.10 each issued as bonus shares	85,679,940	85,679,940
18,755,194	**18,755,194**		**187,551,940**	**187,551,940**

	Note	2010 Rupees	2009 Rupees

17.1.1 There were no movements in the share capital during the reporting year

17.1.2 As at the balance sheet date shares held by an associated company is as follows:

	Number of shares	
Amir Fine Exports (Private) Limited	4,254,526	3,880,092

17.2 Preference Shares

2010	2009		Rupees	Rupees
(Number of shares)				
25,000,000	25,000,000	Preference shares of Rs. 10 each	250,000,000	250,000,000

Preference shares are issued to the following financial institutions:

	Number of shares	
MCB Bank Limited	10,000,000	10,000,000
Allied Bank Limited	7,500,000	7,500,000
The Bank of Punjab	2,500,000	2,500,000
Faysal Bank Limited	2,500,000	2,500,000
NIB Bank Limited	2,500,000	2,500,000
	25,000,000	**25,000,000**

17.2.1 Preference shares carry mark up @ 6 months KIBOR+ 250 bps per annum.

18. CAPITAL RESERVES

- Share premium			
Issue of 3,168,000 ordinary shares of Rs. 10 each @ Rs. 20 per share issued during 2001		63,360,000	63,360,000
Issue of 2,851,200 ordinary shares of Rs. 10 each @ Rs. 5 per share issued during 2002		14,256,000	14,256,000
		77,616,000	77,616,000
- Capital redemption reserve fund	18.1	100,000,000	50,000,000
		177,616,000	**127,616,000**

18.1 This represents capital redemption reserve created for the redemption of preference shares.

19. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net of deferred tax

Surplus on revaluation of operating assets as at July 01	3.2	2,727,019,235	2,818,771,723
Less: Transferred to unappropriated profit on account of:			
Incremental depreciation - net of deferred tax		(90,534,212)	(91,752,488)
Surplus on revaluation of operating assets as at June 30		2,636,485,023	2,727,019,235
Less: Related deferred tax liability		356,041,000	442,111,000
		2,280,444,023	**2,284,908,235**

	Note	2010 Rupees	2009 Rupees
20. LONG TERM FINANCING - Secured			
Banking Companies			
Askari Bank Limited			
- Term finance - III	20.1 (a)	1,449,924	3,383,552
- Term Finance under LTF-EOP Scheme	20.1 (b)	12,055,558	15,500,002
- Term finance - IV	20.2	-	3,989,369
- Term finance - V	20.3	139,090,000	185,454,000
- Term finance - VI under LTF-EOP Scheme	20.4	16,830,000	18,513,000
- Term finance - under LTF-EOP Scheme	20.5	88,633,000	88,633,000
- Term finance - VII	20.6 (a)	109,576,115	96,906,643
- Term finance - VII under LTFF Scheme	20.6 (b)	15,423,478	-
- Term finance - VIII	20.7 (a)	90,581,586	-
- Term finance - VIII under LTFF Scheme	20.7 (b)	32,700,600	-
		506,340,261	412,379,566
Soneri Bank Limited			
- Term finance	20.8	73,500,000	82,000,000
Faysal Bank Limited			
- Term finance	20.9	200,000,000	200,000,000
Habib Bank Limited			
- Demand finance	20.10 (a)	17,248,220	51,747,700
- Demand finance under LTF-EOP Scheme	20.10 (b)	7,789,500	10,386,000
- Demand finance -(FAF)	20.11 (a)	18,024,900	36,049,900
- Demand finance (FAF) under LTF-EOP Scheme	20.11 (b)	10,824,000	13,530,000
- Demand finance	20.12 (a)	161,541,825	197,440,008
- Demand finance under LTF-EOP Scheme	20.12 (b)	31,726,645	34,610,900
		247,155,090	343,764,508
National Bank of Pakistan			
- Demand finance - II	20.13	-	6,579,017
- Demand finance under LTF-EOP Scheme	20.14	4,473,392	18,253,573
- Demand finance - IV	20.15	200,000,000	-
		204,473,392	24,832,590
United Bank Limited			
- Demand finance-I A	20.16	19,065,901	38,889,901
- Demand finance-I B	20.17	184,018,944	236,595,784
- Demand finance-I C	20.18	40,000,000	50,000,000
- Demand finance-II	20.19(a)	119,907,000	154,166,000
- Demand finance- under LTF-EOP Scheme	20.19(b)	22,653,000	25,170,000
- Demand finance-III under LTF-EOP Scheme	20.20	16,181,056	18,492,635
- Demand finance-IV under LTF-EOP Scheme	20.21	29,166,670	33,333,337
		430,992,571	556,647,657
MCB Bank Limited			
- Demand finance	20.22 (a)	48,160,547	72,240,821
- Demand finance under LTF-EOP Scheme	20.22 (b)	14,698,322	17,148,043
		62,858,869	89,388,864
Allied Bank Limited			
- Demand finance	20.23 (a)	163,242,731	202,012,486
- Demand finance under LTF-EOP Scheme	20.23 (b)	29,343,748	29,451,531
- Demand finance under LTFF Scheme	20.23 (c)	2,040,214	-
- Term loan- 2	20.24 (a)	24,876,950	-
- Term loan-2 under LTFF Scheme	20.24 (b)	24,876,950	-
		244,380,593	231,464,017
		1,969,700,776	1,940,477,202
Less:			
Current portion grouped under current liabilities	28	395,885,896	370,781,314
		1,573,814,880	1,569,695,888

20.1 (a) Askari Bank Limited- TF-III

This finance has been obtained for retirement of letter of credit for imported machinery, and is repayable in 24 equal quarterly installments of principle amount. It carries mark up at the rate of 6 months average KIBOR + 1.25% per annum with a floor of 4.25% per annum. During the year mark up was charged at the rates ranging from 13.66 % to 14.01% per annum (2009: from 15.44% to 16.95% per annum). It is secured against 1st Joint Pari Passu charge/mortgage of Rs. 723.5 million on all present and future fixed assets of the Comapny and personal guarantees of all the sponsoring directors of the Comapny.

(b) Askari Bank Limited- Term Finance under LTF-EOP Scheme

During the year 2007, an amount of Rs.31 million out of Term Finance-III of Askari Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. This finance is repayable in remaining 18 equal quarterly instalments of principle amount. However, during the last year SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and now accordingly last installment is due on March 23, 2012. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7 % per annum (2009: 7% per annum). This finance is secured against the security as stated in note 20.1(a).

20.2 Askari Bank Limited- TF-IV

This finance was obtained to finance the local machinery, gas pipe line cost and refinancing of imported machinery. It was repayable in 24 equal quarterly installments of principle amout. It has been fully repaid during the year. This finance carried markup at the rate of 6 months average KIBOR + 1.25% per annum with a floor of 4.25% per annum. During the year markup was charged at the rate of 14.01 % per annum (2009: from 15.44% to 16.95% per annum). It was secured against the security as stated in Note 20.1(a).

20.3 Askari Bank Limited- TF-V

This finance has been obtained to finance permanent working capital requirement/ refinancing of fixed assets. Originally It was repayable in 5 semi annual installments with break up of first 4 instalmens of Rs.15 million each and 5th/last instalments of Rs.240 million. 1st installment was due after 12 months of first DD. However, as per revised terms during the year 2008, balance amount of Rs.255 million is repayable in 11 equal semi annual instalments of principle amount. Before this revision in the terms, this finance carried markup at the rate of 6 months average KIBOR ask rate+ 2.50% p.a with a floor of 4.25% per annum however, after revision in terms, it carries mark up at the rate of 6 months KIBOR + 1.25% p.a with a floor of 4.25% per annum . During the year markup was charged at the rates ranging from 13.66 % to 14.01% per annum (2009: from 15.44% to 16.95% per annum). It is secured against the security as stated in note 20.1(a).

20.4 Askari Bank Limited- TF-VI under LTF-EOP Scheme

This finance has been obtained for the purpose of disbursement and retirement of Letters of credit of Meezan Bank Ltd opened for import of Caterpillar Gas Generator set. During the year 2008 this finance was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme. This finance is repayable in 12 half yearly instalments commencing from July 10, 2008 after a grace period of one year. However, during the year 2009, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly last instalment is due on January 26, 2015 . This finance carried mark up at the rate of 6months KIBOR + 2.50% pa before refinancing by SBP under LTF-EOP Scheme, however, after approval and refinancing by SBP under LTF-EOP it carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7 % per annum (2009: 7% per annum). It is secured against the security as stated in note 20.1(a).

20.5 Askari Bank Limited- TF under LTF-EOP Scheme

This finance has been disbursed during the year 2008 for the purpose of retirement of Letter of credit opened for import of Caterpillar Gas Generator sets. This finance was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme.This finance is repayable in 12 half yearly equal instalments of principle amount commencing after a grace period of one year. However, during the year 2009 SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly last instalment is due on June 08, 2016 . It carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2009: 7% per annum.). It is secured against the security as stated in note 20.1(a).

20.6 (a) Askari Bank Limited- TF-VII

This finance has been obtained for the purpose of retirement of letters of credit opened for import of textile machinery. It is repayable within a period of eight years including two years grace period in 12 half yearly equal installments of principal amount. This finance carries markup at the rate of 6 months KIBOR + 1.25% per annum with floor of 4.25% per annum. During the year markup was charged at the rates ranging from 13.66% to 14.01% per annum (2009: from 15.44% to 16.95% per annum). It is secured against the security as stated in note 20.1(a).

(b) Askari Bank Limited- TF-VII under LTFF Scheme

During current year an amount of Rs.15.423 million out of Term Finance VII of Askari Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTFF Scheme against imported textile machinery eligible under the Scheme. This finance is repayable in 12 equal instalments of principal amount. Last instalment is falling due on September 30, 2016. This finance carries mark up at the rate of SBP rate + 3% pa. During the year mark up was charged at the rates ranging from 10.25% to 10.50% per aannum. It is secured against the security as sated in note 20.1(a).

20.7 (a) Askari Bank Limited- TF-VIII

This finance has been obtained during the year for the purpose of retirement of letters of credit opened for import of textile machinery. It is repayable within a period of eight years including two years grace period in 12 half yearly equal installments of principal amount. Last instalment is falling due on December 23, 2017.This finance carries markup at the rate of 6 months KIBOR + 2.25% per annum. During the year markup was charged at the rates ranging from 13.66 % pa to 14.01% per annum. It is secured against the security as stated in note 20.1(a).

(b) Askari Bank Limited- TF-VIII under LTFF Scheme

During current year an amount of Rs.32.7 million out of Term Finance VIII of Askari Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTFF Scheme against imported textile machinery eligible under the Scheme. This finance is repayable in 12 equal instalments of principal amount. Last instalment is falling due on December 23, 2017. This finance carries mark up at the rate of SBP rate + 3% per annum. During the year mark up was charged at the rates ranging from 10.25% to 10.50% per annum. It is secured against the security as sated in note 20.1(a).

20.8 Soneri Bank Limited- TF

During the year 2009, a term finance amounting to Rs.82 million has been obtained for BMR projects and retirement of letters of credit. It is repayable within a period of 6 years including one year grace period in 10 equal semi annual instalments of principal amount. It carries mark up at the rate of 6months KIBOR + 1.25% pa. During the year mark up was charged at the rates ranging from 13.66 % to 13.79 % per annum (2009: from 15.62% to 16.93% per annum). It is secured against 1st Joint Pari Passu charge/mortgage of Rs. 167 million over all present and future fixed assets of the Company and personal guarantees of all the sponsoring directors.

20.9 Faysal Bank Limited- TF

This finance was obtained during the year 2009 to finance the import of textile machinery and existing fixed assets. It is repayable within a period of 6 years including two years grace period in 8 equal semi annual instalments of principal amount. It carries mark up at the rate of 6months KIBOR + 2.50% pa. During the year mark up was charged at the rates ranging from 14.93 % to 15.41% per annum (2009: 15.41% per annum). It is secured against 1st Joint Pari Passu charge/mortgage of Rs. 267 million over all present and future fixed assets of the Company and personal guarantees of all the sponsoring directors.

20.10 (a) Habib Bank Limited-DF

This finance was obtained for repayment of letters of credit for Rs. 205 million. It is repayable within a period of six years in ten equal half yearly installments with grace period of one year. It carries mark up at the rate of 6 months KIBOR offer rate+ 1% with a floor of 3.50% per annum. During the year markup was charged at the rates ranging from 13.43 % to 14.01 % per annum (2009: from 11.27% to 14.76% per annum). It is secured against 1st Joint Pari Passu charge/mortgage of Rs. 694 million on all present and future fixed assets of the Company and personal guarantees of all sponsoring directors of the Company.

(b) Habib Bank Limited-DF under LTF-EOP Scheme

During the year 2007, an amount of Rs. 20.772 million out of Demand Finance of Habib Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. This finance is repayable in remaining 8 equal half yearly instalments. However, during the year 2009, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly last instalment is due on August 25, 2011. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2009: 7% per annum). This finance is secured against the security as stated in note 20.10 (a).

20.11 (a) Habib Bank Limited-DF (FAF)

This finance has been obtained for repayment of letters of credit and swap the debt from Meezan Bank Ltd for finances and other financial institutions. It is repayable in ten equal half yearly installments with no grace period from the date of first disbursement. It carries markup at the rate of 6 months KIBOR+ 150 bps. During the year markup was charged at the rates ranging from 13.93 % to 14.51% per annum (2009: from 11.77% to 15.26% per annum). It is secured against the security as stated in note 20.10(a).

(b) Habib Bank Limited-DF (FAF) under LTF-EOP Scheme

During the year 2007, an amount of Rs.24.354 million out of Demand Finance (FAF) of Habib Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. This finance is repayable in remaining 9 equal half yearly instalments of principal amount. However, during the year 2009, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly last instalment is due on February 11, 2012. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2009: 7% per annum). This finance is secured against the security as stated in note 20.10 (a).

20.12 (a) Habib Bank Limited-DF

This finance has been disbursed for the purpose of retirement of Letters of credit and swap of other expensive term finances. This finance is repayable with in seven years inclusive of one year grace period in 12 half yearly equal instalments of principle amount. It carries mark up at the rate of 6months KIBOR + speards of 1% per annum for first year, 1.25% p.a for second year and 1.50% p.a from third year to onward. During the year mark up was charged at the rates ranging from 13.73 % to 14.94 % per annum (2009: from 12.16% to 16.93% per annum). It is secured against the security as stated in note 20.10(a). During the year 2009 an amount of Rs.0.923 million and year 2008 an amount of Rs.33.687 million out of this finance was refinanced by the State Bank of Pakistan under LTF-EOP Scheme and accordingly transferred to DF under LTF-EOP of Habib Bank Ltd as stated in note 20.12(b).

(b) Habib Bank Limited-DF under LTF-EOP Scheme

During the year 2009 an amounts of Rs.0.923 million and year 2008 an amount of Rs. 33.687 million out of Demand Finance of Habib Bank Ltd were approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery. This finance is repayable in 12 equal half yearly instalments of principle amount. However, during the year 2009, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly last instalment is due on November 19, 2015. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2009: 7% per annum). This finance is secured against the security as stated in note 20.10 (a).

20.13 National Bank of Pakistan-DF-II

This finance was obtained for repayment of cost of imported plant and machinery and long term finances from other financial institutions. It was repayable within a period of five years in ten half yearly installments on the reducing balance method from the date of disbursement. This finance was fully repaid during the year. It carried markup at the rate of 6 months KIBOR ask rate + 1.12% with no floor no cap. During the year markup was charged at the rates ranging from 13.77 % to 13.97 % per annum (2009: from 13.97% to 16.82% per annum). It was secured against 1st Joint Pari Passu charge/mortgage of Rs. 740.6 million on all present and future fixed assets of the Company and personal guarantees of all sponsoring directors.

20.14 National Bank of Pakistan-DF under LTF-EOP Scheme

During the year 2007, amount of Rs. 29.671 million out of Demand Finance and amount of Rs. 20.526 million out of Demand Finance-II of National Bank of Pakistan were approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. This finance is repayable in 11 equal quarterly instalments of principal amount. However, during last year , SBP has allowed grace period of one year starting from December 31, 2008 to December 31, 2009 and accordingly last instalment is due on September 30, 2010. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 6% per annum (2009: 6% per annum). This finance is secured against the security as stated in note 20.13.

20.15 National Bank of Pakistan- DF-IV

This finance has been obtained during the year for the purpose of re-profiling of balance sheet to ease out cash flow burdens owing to repayments of long term loans. It is repayable within a period of six years including one year grace period in 10 half yearly equal installments of principal amount. Last instalment is falling due on March 16, 2016. This finance carries markup at the rate of 6 months KIBOR + 2% per annum. During the year markup was charged at the rate of 14.43 % per annum. It is secured against the security as stated in note 20.13.

20.16 United Bank Limited- DF-I A

This finance has been obtained for swap of Soneri bank loan which was obtained for meeting the working capital requirements. It is repayable within a period of six years including one year grace period in 10 bi-annual installments of principal amount commencing from December 16, 2006. Originally it carried markup at the rate of 6 months KIBOR Ask Rate + 2% per annum. During the year 2008 pricing was reduced to 3 months KIBOR ask rate + 1% per annum. However, during the year 2009, spread was revised to 1.50% per annum. During the year markup was charged at the rates ranging from 13.83 % to 14.01% per annum (2009: from 14.27% to 17% per annum). It is secured against 1st Joint Pari Passu charge/mortgage of Rs. 911.5 million on all present and future fixed assets of the Company and personal guarantees of all sponsoring directors of the Company.

20.17 United Bank Limited- DF-I B

This finance has been obtained for retirement of import documents of plant and machinery . It is repayable in 10 bi-annual installments of principal amount commencing from March 31, 2009 after grace period of 2 years. Originally it carried markup at the rate of 6 months KIBOR ask rate + 2% per annum. During the year 2008, pricing was reduced to 3 months KIBOR ask rate + 1% per annum. However, during the year 2009, spread was revised to 1.50% per annum. During the year markup was charged at the rates ranging from 13.83 % to 14.01% per annum (2009: from 14.27% to 17% per annum). It is secured against the security as stated in note 20.16.

20.18 United Bank Limited- DF-I C

This finance has been obtained for the purpose of incurring capital expenditures. It is repayable in 10 bi-annual installments of principal amount commencing from September 30, 2009 after grace period of 2 years. Originally it carried markup at the rate of 6 months KIBOR ask rate + 2.25% per annum. During the year 2008, pricing was reduced to 3 months KIBOR ask rate + 1.50% pa. During the year markup was charged at the rates ranging from 13.83 % to 14.10 % per annum (2009: from 14.27% to 17% per annum). It is secured against the security as stated in note 20.16.

20.19 (a) United Bank Limited- DF-II

This finance has been obtained for retirement of import documents of plant and machinery. It is repayable in 12 equal semi-annual installments of principal amount with no grace period. Originally it carried markup at the rate of 6 months KIBOR ask Rate + 2% per annum. During the year 2008, pricing was reduced to 3 months KIBOR ask rate + 1% per annum. However, during the year 2009, spread was revised to 1.50% per annum. During the year markup was charged at the rates ranging from 13.83 % to 14.10 % per annum (2009: from 14.27% to 17% per annum.). It is secured against the security as stated in note 20.16. During the year 2008, an amount of Rs.30.204 million out of this finance was refinanced by the State Bank of Pakistan under LTF-EOP Scheme and accordingly transferred to Demand Finance under LTF-EOP of United Bank Ltd as stated in note 20.19(b).

(b) United Bank Limited- DF under LTF-EOP Scheme

During the year 2008, an amount of Rs. 30.204 million out of Demand Finance II of United Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. It is repayable in 12 equal semi annual instalments of principal amount. However, during the year 2009, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly last instalment is due on July 31, 2014. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2009: 7% per annum). This finance is secured against the security as stated in note 20.16.

20.20 United Bank Limited- DF-III under LTF-EOP Scheme

During the year 2007, an amount of Rs. 23.116 million out of Demand Finance I B of United Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. It is repayable in 10 equal semi annual instalments of principal amount. However, during the year 2009, SBP has allowed one year grace period starting from January 01, 2009 to December 31, 2009 and accordingly last instalment is due on July 20, 2013. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2009: 7% per annum). This finance is secured against the security as stated in note 20.16.

20.21 United Bank Limited- DF-IV under LTF-EOP Scheme

This finance was obtained under LTF-EOP Scheme of SBP for swap of an amount of Rs. 50 million out of outstanding Diminishing Muskarika Finance of Meezan Bank Ltd. This finance was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the eligible textile machinery imported through Meezan Bank Ltd. It is repayable in 24 equal quarterly instalments of principal amount . However, during the year 2009, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly last instalment is due on October 10, 2013. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2009: 7% per annum). It is secured against the security as stated in note 20.16.

20.22 (a) MCB Bank Limited- DF

This finance has been obtained for retirement of letters of credit for imported machinery, and is repayable in 14 equal half yearly installments of principal amount with a grace period of one year. It carries mark up at the rate of 6 months KIBOR + 1% per annum with no floor no cap. During the year mark up was charged at the rates ranging from 13.40 % to 13.65 % per annum (2009: from 15.13% to 16.68% per annum). This finance is secured against 1st Joint Pari Passu charge/mortgage of Rs. 226.6 million on all present and future fixed assets of the Company and personal guarantees of all sponsoring directors of the Company.

(b) MCB Bank Limited- DF under LTF-EOP Scheme

During the year 2007, an amount of Rs.26.947 million out of Demand Finance of MCB Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. It is repayable in 11 equal semi annual instalments of principal amount. However, during the year 2009, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly last instalment is due on February 19, 2013. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2009: 7% per annum). This finance is secured against the security as stated in note 20.22 (a).

20.23 (a) Allied Bank Limited- DF

This finance has been obtained for retirement of letters of credit opened for import of plant and machinery. It is repayable with in a period of seven years including one year grace period in 12 equal bi-annual installments of principal amount. Last instalment is falling due on July 04, 2014. Originally it carried markup at the rate of 6 months KIBOR + 2.50% per annum. During the year 2008, pricing was reduced to 6 months KIBOR + 1.50% per annum. During the year markup was charged at the rates ranging from 13.93 % to 14.26 % per annum (2009: from 15.69% to 17.20% per annum). It is secured against 1st Joint Pari Passu charge/mortgage of Rs. 674 million on all present and future fixed assets of the Company and personal guarantees of all sponsoring directors of the Company. During the year 2009 an amount of Rs. 1.293 million and year 2008 an amount of Rs. 28.158 million out of this finance were refinanced by the State Bank of Pakistan under LTF-EOP Scheme and accordingly transferred to Demand Finance under LTF-EOP of Allied Bank Ltd as stated in note 20.23(b).

(b) Allied Bank Limited- DF under LTF-EOP Scheme

During the year an amount of Rs. 1.293 million and during the year 2008 an amount of Rs. 28.158 million out of Demand Finance of Allied Bank Ltd were approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. It is repayable in 12 equal semi annual installments of principle amount commencing from November 13, 2009 with a grace period of one year. However, during the year, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly now last installment is due on May 16, 2016. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2008: 7% per annum). This finance is secured against the security as stated in note 20.23(a).

(c) Allied Bank Ltd- DF under LTFF Scheme

During current year an amount of Rs. 2.267 million out of Demand Finance of Allied Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTFF Scheme against imported textile machinery eligible under the Scheme. This finance is repayable in remaining 10 equal instalments of principal amount. Last instalment is falling due on July 04, 2014. This finance carries mark up at the rate of SBP rate + 2.50 % per annum. During the year mark up was charged at the rate of 9% per annum. It is secured against the security as sated in note 20.23(a).

20.24 (a) Allied Bank Ltd- TL-2

This finance has been obtained during the year for the purpose of retirement of letters of credit opened for import of textile machinery. It is repayable within a period of seven years including two years grace period in 10 half yearly equal installments of principal amount. Last instalment is falling due on October 28, 2016. This finance carries markup at the rate of 6 months KIBOR + 2.15% per annum. During the year markup was charged at the rates ranging from 14.58 % to 14.80 % per annum. It is secured against the security as stated in note 20.23(a).

(b) Allied Bank Ltd- TL-2 under LTFF Scheme

During current year an amount of Rs. 24.877 million out of Term Loan-2 of Allied Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTFF Scheme against imported textile machinery eligible under the Scheme. This finance is repayable in 10 equal instalments of principal amount. Last instalment is falling due on October 28, 2016. This finance carries mark up at the rate of SBP rate + 3% per annum. During the year mark up was charged at the rates ranging from 10.25% to 10.50% per annum. It is secured against the security as sated in note 20.23(a).

	Notes	2010 Rupees	2009 Rupees
21. LONG TERM MUSHARAKA			
- Secured			
Meezan Bank Limited			
- Diminishing Musharaka -I	21.1	118,777,283	166,288,199
Less: Current portion grouped under current liabilities	28	47,510,916	47,510,916
		71,266,367	**118,777,283**

21.1 Meezan Bank Limited-Diminishing Musharaka- I

Diminishing Musharaka-I finance has been obtained from Meezan Bank Ltd for repayment of cost of imported plant and machinery. It carries mark up for first 5 years (4 years plus 1 year grace period) at the rate of 6 months KIBOR + 1.25% per annum and for the remaining period of three years at the rate of 6 months KIBOR + 1.50% per annum. During the year, the bank has charged mark up at the rates ranging from 13.86 % to 14.77 % per annum (2009: from 11.61% to 16.71% per annum). It was repayable in twenty eight equal quarterly instalments from the date of disbursement after one year grace period, however, during the year 2007, due to prepayment, a grace of seven quarterly instalments was allowed by the bank and accordingly remaining balance of Rs. 201.921 million is repayable in 17 equal quarterly instalments over the original tenor. This finance is secured against exclusive charge of Rs. 270 million over machinery imported through Meezan Bank Ltd and personal guarantees of all sponsoring directors of the Company.

22. BILLS PAYABLE

This represents liability outstanding against Letter of Credits of DA 720 days opened for import of machinery during current year.

23. DEFERRED LIABILITIES

	Note	2010 Rupees	2009 Rupees
Staff gratuity	23.1	56,056,803	48,481,598
Deferred taxation	23.2	792,119,000	848,009,000
		848,175,803	**896,490,598**

23.1 Staff gratuity

Amount recognized in the balance sheet is as follows:

	2010 Rupees	2009 Rupees
Present value of defined benefit obligation as at June 30	60,093,491	48,846,341
Unrecognized actuarial loss	(4,036,688)	(364,743)
Liability recognized as at June 30	**56,056,803**	**48,481,598**

Movement in liability recognized:

	2010 Rupees	2009 Rupees
Net liability at the beginning of the year	48,481,598	36,180,062
Amounts recognized during the year	25,092,630	24,789,797
Benefits paid during the year	(17,517,425)	(12,488,261)
Net liability at the end of the year	**56,056,803**	**48,481,598**

Amounts recognized during the year

	2010 Rupees	2009 Rupees
Current service cost	19,683,058	19,344,706
Interest cost	5,861,561	5,178,913
Actuarial (Gains) / losses	(451,989)	266,178
	25,092,630	**24,789,797**

Allocation of expense recognized:

	2010 Rupees	2009 Rupees
Cost of sales	21,535,054	21,622,579
Administrative expenses	3,557,576	3,167,218
	25,092,630	**24,789,797**

Actuarial valuation was conducted as on June 30, 2010 on the basis of projected unit credit method by an independent Actuary.

The company's policy with regard to actuarial gains/ losses is to follow minimum recommended approach under IAS-19 'Employees benefits'.

	2010	2009
Discount rate	12% per annum	12% per annum
Expected rate of increase in salary	11% per annum	11% per annum

Amounts for the current and previous four years are as follows:

	2010	2009	2008	2007	2006
	Rupees				
Defined benefit obligation	60,093,491	48,846,341	43,157,605	30,384,646	24,821,856
Unrecognised actuarial loss	(4,036,688)	(364,743)	(6,977,543)	(4,312,169)	(7,370,045)

23.2 Deferred taxation

This comprises of the following:

	2010 Rupees	2009 Rupees
Deferred tax liability on taxable temporary differences:		
Surplus on revaluation of operating assets	356,041,000	442,111,000
Gain on remeasurement of investment in associate	90,267,000	56,417,000
Tax depreciation allowance	346,115,000	349,839,000
Deferred tax asset on deductible temporary differences:		
Provision for slow moving items	(304,000)	(358,000)
	792,119,000	**848,009,000**

24. CUSTOMS DUTIES

	Note	2010 Rupees	2009 Rupees
Surcharge	24.1	708,434	708,434
Custom duties	24.2	17,679,598	17,679,598
Infrastructure cess	24.3	86,028,085	65,795,354

104,416,117	**84,183,386**

24.1 It represents surcharge on plant and machinery imported by the Company. The said plant and machinery was released against furnishing of bank guarantees. The Company has applied to the Customs Authorities for release of bank guarantees and exemption of this levy.

24.2 Customs duties represent customs duties and sales tax on plant and machinery imported under S.R.Os. 554(I)/98, 27(I)/98, 369(I)/2000 and 439(I)/2001 of Government of Pakistan, which specify that customs duties and sales tax on imported plant and machinery shall be exempt provided that the export sales of the Company shall not fall below 50% of the additional capacity due to expansion, in first five and ten years respectively. In case the conditions of above-mentioned S.R.Os. are violated, the amount of customs duties and sales tax exempted shall be recovered along with penalties imposed in this regard under section 202 of the Customs Act, 1969. Keeping in view the un-expected decline in the export sales in the said future periods, the Company has made the provision of customs duties on those plant and machinery which do not fulfill the conditions of above-mentioned S.R.Os.

24.3 It represents infrastructure cess levied by the Excise and Taxation Department of Sindh under section 9 of the Sindh Finance Act 1994 on items imported by the Company. The Company has filed an appeal in the Sindh High Court at Karachi against the said levy. The appeal is pending for decision till the balance sheet date. However keeping in view any unfavorable outcome of the appeal, the Company has provided the balance payable amount in these financial statements.

25. TRADE AND OTHER PAYABLES

	Note	2010 Rupees	2009 Rupees
Creditors		75,430,767	46,435,277
Accrued liabilities		329,601,075	160,346,777
Advance from customers		77,820,716	15,466,963
Un-claimed dividend		754,723	789,781
Preference dividend payable		38,150,000	41,725,000
Due to associated undertakings	25.1	1,139,436	995,792
Tax deducted at source		1,470	62,125
Workers' profit participation fund	25.2	39,187,011	9,697,100
Workers' welfare fund		25,922,130	11,039,332
Due to employees		1,889,365	2,312,640
		589,896,693	**288,870,787**

25.1 Due to associated undertaking on account of trading activities

	2010	2009
Reliance Weaving Mills Limited	1,139,436	-
Hussain Ginneries Limited	-	404,019
Reliance Commodities (Pvt.) Limited	-	54,231
Fatima Sugar Mills Limited	-	537,542
	1,139,436	**995,792**

25.2 Workers' profit participation fund

	Note	2010	2009
Opening balance		9,697,100	18,302,421
Add:			
Interest on amount utilized by the Company	36	413,256	1,055,272
		10,110,356	19,357,693
Less: Payment made during the year		10,110,356	19,357,693
Add: Allocation for the year	35	39,187,011	9,697,100
		39,187,011	**9,697,100**

	Note	2010 Rupees	2009 Rupees
26. INTEREST/MARK-UP ACCRUED ON LOANS			
Long term financing		62,395,048	69,508,502
Short term borrowings		59,082,516	81,713,473
		121,477,564	**151,221,975**

27. SHORT TERM BORROWINGS

	Note	2010 Rupees	2009 Rupees
Banking Companies			
Secured	27.1	2,177,105,390	2,248,333,323
Un-secured	27.2	342,920	-
		2,177,448,310	**2,248,333,323**

27.1 Short term finance facilities available from commercial banks under mark-up arrangements are aggregating to Rs. 8,691 million (2009: Rs. 8,164 million). Limits up to Rs. 3,725 million (2009: Rs. 3,180 million) out of these facilities can be utilized for opening of letters of credit. Limits equivalent to US$ 68.28 million (2009: US$ 70.33 million) out of these facilities are available in terms of foreign currency finances. During the year mark-up was charged by banks at various rates ranging from 2.27 % pa to 14.67 % per annum on monthly / quarterly basis (2009: 3.74% to 17.68% per annum on monthly/quarterly basis). The aggregate facilities are secured against pledge / hypothecation of stocks-in-trade, hypothecation charge of stores and spares, lien over import/export documents, charge on current assets and personal guarantees of all the directors except nominee director. All short term finance facilities which remained unutilized at year end were Rs. 6,593 million (2009: Rs. 5,714 million).

Facilities available for letters of guarantee are aggregating to Rs. 313.8 million (2009: Rs. 228.8 million). These facilities are expiring on various dates by April 30, 2011.

These include foreign currency balances aggregating US $ 13.677 million (2009: US $ 10.148 million) which have been converted into Pak Rupees at the exchange rate prevailing on the balance sheet date.

27.2 These have arisen due to issuance of cheques for amounts in excess of balances at bank accounts.

	Note	2010 Rupees	2009 Rupees
28. CURRENT PORTION OF NON CURRENT LIABILITIES			
Long term financing	20	395,885,896	370,781,314
Long term musharaka	21	47,510,916	47,510,916
		443,396,812	**418,292,230**
29. PROVISION FOR TAXATION			
Opening balance		37,772,257	91,842,935
Add: Provision for the year	38	172,369,291	37,652,975
		210,141,548	129,495,910
Less: Payments / adjustments against completed assessments		-	91,723,653
		210,141,548	**37,772,257**

30. CONTINGENCIES AND COMMITMENTS

Contingencies

30.1 Market Committee, Muzaffargarh, during 1985, raised demands of market committee fee of eleven years and penalty due to non-payment. The Company did not accept the said demands and filed appeal with the Lahore High Court (Multan Bench). The appeal is pending for decision. Quantum of unprovided market committee fee has not been worked out whereas penalty till the balance sheet date @ Rs. 100 per day worked out Rs. 1,305,700 (2009: Rs.1,269,200).

30.2 The Company has imported textile machinery availing exemption from Customs duty and Sales Tax on importation thereof under S.R.Os. 554(1)/98, 987(1)/99 and 369(1)/2000. In case the conditions of above-mentioned S.R.Os. are violated, the amount of customs duty and sales tax exempted aggregating Rs. 44.149 million (2009: Rs.44.149 million) shall be recovered by the Customs Authorities along with penalties.

30.3 Foreign bills discounted outstanding as at June 30, 2010 aggregated Rs.113.2 million (2009: Rs. 112.83 million).

30.4 Counter guarantees given by the Company to its bankers outstanding as at June 30, 2010 were for Rs. 237.886 million(2009: Rs. 191.372 million).

Commitments

	Note	2010 Rupees	2009 Rupees
30.5 Commitments for irrevocable letters of credit			
- Property, plant and equipment		759,576,193	93,865,000
- Raw material and stores and spares		378,153,630	239,395,000
		1,137,729,823	**333,260,000**

31. SALES-net

	Note	2010	2009
Local:			
Yarn		5,234,791,451	4,659,494,559
Comber noil		66,573,405	76,015,725
Waste		112,356,416	75,057,558
		5,413,721,272	4,810,567,842
Raw material		561,438,069	230,844,684
		5,975,159,341	5,041,412,526
Less:			
Sales return		54,047,415	67,653,747
Commission		61,526,024	20,389,058
		115,573,439	88,042,805
Net local sales		5,859,585,902	4,953,369,721
Export:			
Yarn	31.1	4,240,433,377	3,615,209,359
Indirect Export/SPO		998,939,075	-
Fabric		19,912,068	-
Comber noil		182,727,836	144,239,092
Hard waste		-	5,229,766
		5,442,012,356	3,764,678,217
Raw material		-	619,200
		5,442,012,356	3,765,297,417
Less:			
Commission		90,621,356	67,437,116
Net export sales		5,351,391,000	3,697,860,301
		11,210,976,902	**8,651,230,022**

31.1 Yarn export includes exchange gain of Rs. 12.258 million (2009: Rs. 45.952 million).

	Note	2010 Rupees	2009 Rupees
32. COST OF SALES			
Raw material consumed	32.1	6,596,889,129	5,389,634,423
Packing material consumed	32.2	153,014,537	143,462,405
Salaries, wages and benefits	32.3	598,938,239	455,584,213
Traveling and conveyance		2,475,958	2,935,864
Power and fuel		698,306,772	555,577,745
Stores and spares consumed	32.2	172,468,966	130,226,259
Processing charges		7,752,752	6,260,759
Repair and maintenance		26,766,221	21,879,893
Insurance		20,080,045	18,147,842
Depreciation	3.5	259,391,189	255,122,341
Rates and taxes		3,386,621	3,179,888
Others		276,254	614,510
		8,539,746,683	6,982,626,142
Adjustment of work in process			
Opening stock		47,562,922	49,427,000
Closing stock		(57,442,903)	(47,562,922)
		(9,879,981)	1,864,078
Cost of goods manufactured		8,529,866,702	6,984,490,220
Adjustment of finished goods			
Opening stock		393,174,804	297,927,456
Finished goods purchased		650,660,966	342,329,603
Closing stock		(401,083,569)	(393,174,804)
		642,752,201	247,082,255
Cost of goods sold		9,172,618,903	7,231,572,475
Cost of raw material sold		465,550,115	223,620,780
		9,638,169,018	**7,455,193,255**

32.1 Raw material consumed		
Opening stock	1,781,352,935	1,664,945,936
Add: Purchases and expenses	6,978,294,817	5,506,041,422
	8,759,647,752	7,170,987,358
Sales/ Transfers during the year		
Less:		
Insurance claim	10,713,115	-
Closing stock	2,037,360,028	1,650,091,463
Stock in transit	114,685,480	131,261,472
	2,162,758,623	1,781,352,935
	6,596,889,129	**5,389,634,423**

32.2 Sale of salvage aggregating Rs. 1.4 million (2009: Rs. 4.9 million), out of which Rs. 0.9 million (2009: Rs. 2.8 million) and Rs. 0.5 million (2009: Rs. 2 million) have been netted off against the cost of raw material and packing mateiral consumed respectively.

32.3 These include Rs. 21,535,054 (2009: Rs. 21,622,579) in respect of staff retirement benefits.

33. DISTRIBUTION COST		
- Export sales		
Export development surcharge	11,150,627	9,604,132
Freight, shipment and handling charges	152,087,850	133,741,723
Export Regulatory Duty	5,490,233	-
Insurance	587,751	403,087
- Local sales		
Freight, shipment, handling and other charges	17,516,394	13,333,061
Insurance	246,644	124,666
	187,079,499	**157,206,669**

Note	2010 Rupees	2009 Rupees

34. ADMINISTRATIVE EXPENSES

Directors' meeting fee		13,000	2,000
Salaries and benefits	34.1	54,704,117	39,234,345
Traveling and conveyance	34.2	5,759,750	3,821,951
Vehicles running and maintenance		8,342,002	8,587,658
Rent, rates, taxes and fees		5,831,336	4,671,638
Electricity, gas and water		2,105,423	1,653,638
Entertainment/ guest house		3,360,071	2,854,664
Communication		7,359,076	8,525,978
Printing and stationery		3,622,862	4,843,399
Insurance		1,114,999	1,632,077
Repair and maintenance		3,599,543	1,610,675
Subscription/ advertisement		2,134,336	1,540,062
Auditors' remuneration	34.3	995,000	960,000
Legal and professional		3,042,134	2,093,297
Depreciation	3.5	7,010,482	6,324,485
Amortization	4	1,591,735	598,017
Others		666,699	1,065,875
		111,252,565	**90,019,759**

34.1 These include Rs. 3,557,576 (2009: Rs. 3,167,218) in respect of staff retirement benefits.

34.2 These include directors traveling expense of Rs. 4,154,744 (2009: Rs. 2,611,125).

34.3 Auditors' remuneration

M. Yousuf Adil Saleem & Co.		
Audit fee	750,000	750,000
Interim review fee	100,000	75,000
Code of Corporate Governance review fee	25,000	25,000
CDC certificate fee	10,000	10,000
Out of pocket expense	75,000	75,000
	960,000	935,000
Ahmad Mushir & Co.		
Workers profit participation fund's audit fee	35,000	25,000
	995,000	**960,000**

35. OTHER OPERATING EXPENSES

Workers' profit participation fund	25.2	39,187,011	9,697,100
Workers' welfare fund		14,882,799	3,663,793
Donations	35.1	5,892,770	5,952,302
Loss on re-measurement of other financial assets		-	6,150,700
Promotion of education		416,421	385,452
		60,379,001	**25,849,347**

35.1 Donations include Rs. 2,895,200 (2009: Rs. 2,486,250) paid to Fazal-ur-Rehman Foundation, 487-A, Mumtazabad, Vehari Road, Multan. Sheikh Naseem Ahmad (Chairman/ Chief Executive Officer) is amongst the trustees of the Foundation.

	Note	2010 Rupees	2009 Rupees
36. FINANCE COST			
Interest on:			
- Workers' profit participation fund	25.2	413,256	1,055,272
Markup on:			
- Long term financing	36.1	218,014,445	232,678,581
- Musharaka		21,551,767	33,529,855
- Short term borrowings	36.2	318,337,082	438,689,809
Interest income on margin/ bank account		(302,531)	(10,153,702)
		318,034,551	428,536,107
Bank charges		52,469,090	48,267,430
Dividend on redeemable preference shares		38,150,000	41,639,246
Interest income from associated undertaking	36.3	(27,693,173)	(32,975,222)
		620,939,936	**752,731,269**

36.1 The company has received markp rate subsidy @ 3 % amounting to Rs. 15.294 million (2009: Rs. 35.517 million) as sanctioned by State Bank Of Pakistan (SBP) vide MFD Circular No. 6 dated October 30, 2007. It has also received 5% markup rate support amounting to Rs. 21.895 million as sanctioned to spinning sector by SBP vide SMEFD Circular No. 4 dated February 22, 2010. The Company has adjusted the said amounts against markup on long term financing.

36.2 It includes exchange loss on foreign currency finances amounting to Rs. 30 million (2009: Rs. 69.618 million).

36.3 During the year the company has charged interest to Pak Arab Fertilizers Limited (an associated undertaking) and adjusted it with finance cost.

37. OTHER OPERATING INCOME

	Note	2010 Rupees	2009 Rupees
Gain on disposal of property, plant and equipment		716,086	1,112,374
Balance written back - net		266,492	5,352,833
Specie dividend received from associates		128,953,050	-
Dividend income		785,000	1,531,900
Gain on disposal of other financial assets		5,379,653	1,299,030
		136,100,281	**9,296,137**

38. PROVISION FOR TAXATION

	Note	2010 Rupees	2009 Rupees
Current tax	29	172,369,291	37,652,975
Deferred tax		30,180,000	54,622,000
		202,549,291	**92,274,975**

38.1 Relationship between tax expense and accounting profit

	2010 Rupees
Accounting profit before tax	729,257,164
Tax rate %	35%
Tax on accounting rate	255,240,007
Tax effect of:	
Expenses that are inadmissible in determining taxable profit	98,919,018
Income exempt from tax	(215,247,316)
Brought forward tax losses	(575,168)
Income chargeable to tax at special rate	
- Export sales	54,648,870
- Dividend income	78,500
- Import of raw material	4,273,317
Adjustments of prior years in respect of:	
- Deferred tax	30,180,000
Tax liability under final tax regime	(24,967,937)
Tax charge for the year	202,549,291

Corresponding figures in respect of relationship between accounting profit and tax expense are not reported as the tax liability for the preceding year was determined under final tax regime.

	2010 Rupees	2009 Rupees

39. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2010 Rupees	2009 Rupees
Profit after taxation	526,707,873	87,250,885
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	18,755,194	18,755,194
Effect of dilutive potential ordinary shares: -Convertible preference shares	25,000,000	25,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	43,755,194	43,755,194

Basic and diluted earnings per share have been computed by dividing earnings as stated above with weighted average number of ordinary shares.

	Rupees	Rupees
Basic earnings per share	28.08	4.65
Diluted earnings per share	12.91	2.95

5. LONG TERM INVESTMENTS

Number of Shares 2010	Number of Shares 2009	Name of the Company	Note	Rupees 2010	Rupees 2009
Investments in associates					
104,500 Ordinary shares	104,500 Ordinary shares	Fazal Industries (Pvt.) Limited Equity interest held 9.5% (2009 : 9.5%)	5.1	475,000	475,000
Less: Provision for diminution in value				475,000	475,000
				-	-
25,790,610 Ordinary shares	25,790,610 Ordinary shares	Pak Arab Fertilizers Limited Equity interest held 5.73% (2009 : 5.73 %)	5.2	252,966,706	252,966,706
34,387,480 Ordinary shares	21,492,175 Ordinary shares	Fatima Fertilizer Company Limited Equity interest held 1.72% (2009 : 2.41%)	5.3	343,874,800	214,921,750
				596,841,506	**467,888,456**

5.1 Break up value per share on the basis of latest audited financial statements is Rs. Nil (2009: Rs. Nil)

5.2 Break up value per share on the basis of financial statements for the period ended June 30, 2010 is Rs. 27.48 (2009: Rs. 29.33). The valuation of investments in associates has been made at cost. The investment and profit accumulated to the year would have increased by Rs. 456 million (2009: Rs. 503.3 million), if the investments were re-measured on equity basis as required by the IAS-28.

5.3 This represents 34,387,480 ordinary shares of Fatima Fertilizer Company Limited, of which 12,895,305 shares were received this year as specie distribution from Pak Arab Fertilizers Limited. The cost of these shares is Rs. Nil and break up value per share on the basis of financial statements for the period ended June 30, 2010 is Rs. 10.18 (2009: Rs. 9.79). The valuation of investments in associates has been made at par value i.e. Rs. 10. The investment and profit accumulated to the year would have increased (2009: decreased) by Rs. 6 million (2009: Rs. 4.6 million) if the investments were re-measured on equity basis as required by the IAS-28.

5.4 Following is the summary of financial information of the investee companies.

	Note	2010	2009
Fazal Industries (Pvt.) Limited	5.5		
Total assets		282,437,387	282,437,387
Total liabilities		70,263,538	70,263,538
Profit after tax for the year		6,024,900	6,024,900
Pak Arab Fertilizers Limited	5.6		
Total assets		52,211,409,000	46,270,724,000
Total liabilities		37,170,486,000	30,398,577,000
Profit after tax for the period		1,145,772,000	1,450,310,000
Fatima Fertilizer Company Limited	5.6		
Total assets		64,079,711,000	48,749,121,000
Total liabilities		43,726,329,000	28,901,916,000
Loss after tax for the period		(73,576,000)	(37,650,000)

5.5 The financial information of Fazal Industries (Pvt.) Limited is based on audited financial statements for the year ended June 30, 2008.

5.6 The financial information of Pakarab Fertilizers Limited and Fatima Fertilizer Company Limited is based on financial statements for the half year ended June 30, 2010 duly reviewed by the Company's auditors.

40. FINANCIAL RISK MANAGEMENT

40.1 The Company's principal financial liabilities comprise long-term financing, short-term borrowing, interest/mark-up accrued on loans and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has trade debts, loans and advances, other receivables, cash and bank balances and short-term deposits that arrive directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and price risk), credit risk and

40.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 1,975,494,370 (2009: Rs. 1,531,348,688), the financial assets which are subject to credit risk amounted to Rs. 1,974,468,646 (2009: Rs. 1,530,442,929). The Company manages credit risk in trade debts by assigning credit limits to its customers and thereby does not have significant exposure to any individual customer.

The Company is exposed to credit risk from its operating activities (primarily for trade debts and loans and advances) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

40.2.1 Credit risk related to receivables

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

40.2.2 Interest Rate Sensitivity

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended June 30, 2010 would decrease/increase by Rs. 42.659 million (2009 : Rs. 43.551million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

40.3 Liquidity Risk Management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and short term borrowings. 21% (2009: 20%) of the Company's debt will mature in less than one year at June 30, 2010 based on the carrying value of borrowings reflected in the financial statements.

40.3.1 Liquidity and Interest Risk Table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

2010	Weighted Average effective rate of interest	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
		---------- Rupees ----------					
Long term loans	7% to 15.41%	86,703,316	72,433,737	284,259,759	1,485,080,514	160,000,733	2,088,478,059
Short-term borrowings	2.27% to 14.67%	200,000,000	115,645,724	1,861,802,586	-	-	2,177,448,310
Trade and other payables		219,500,060	38,906,193	331,490,440	-	-	589,896,693
		506,203,376	226,985,654	2,477,552,785	1,485,080,514	160,000,733	4,855,823,062

2009	Weighted Average effective rate of interest	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
		---------- Rupees ----------					
Long term loans	6% to 17.20%	70,554,000	60,028,727	287,709,503	1,499,792,208	188,680,963	2,106,765,401
Short-term borrowings	3.74% to 17.68%	857,467,133	610,792,134	780,074,056	-	-	2,248,333,323
Trade and other payables		159,821,777	46,435,277	82,124,957	-	-	288,382,011
		1,087,842,910	717,256,138	1,149,908,516	1,499,792,208	188,680,963	4,643,480,735

40.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However, the Company is not materially exposed to foreign currency risk on assets and liabilities. As at June 30, 2010, the total foreign currency risk exposure was Rs. 230.700 million (2009: Rs. 354.579 million) in respect of trade debts.

40.4.1 Foreign Currency Sensitivity Analysis

At June 30, 2010, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been lower / higher by Rs. 82.510 million (2009 : Rs. 35.603 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency trade debts and US Dollar denominated borrowings.

40.5 Equity Price Risk Management

The Company’s listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company’s senior management on a regular basis. The Company’s Board of Directors reviews and approves all equity investment decisions.

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic as well as trading purposes.

40.6 Determination of fair values

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

40.7 Financial Instruments by Category

The accounting policies for financial instruments have been applied for line items below:

	Loans and recievables	Held to maturity	Total June 30, 2010
	---------------------- Rupees	----------------------	
Assets as per balance sheet			
Long term investments	596,841,506	-	596,841,506
Deposits	23,390,287	-	23,390,287
Trade debts	883,729,860	-	883,729,860
Loans and advances	427,308,670	-	427,308,670
Other Financial Asset	16,132,400	-	16,132,400
Other receivables	2,648,375	-	2,648,375
Cash and bank balances	123,497,519	-	123,497,519

	Financial Liablities measured at amortized cost	Total June 30, 2010
	---------------- Rupees	----------------
Liablities as per balance sheet		
Long Term Loans	2,088,478,059	2,088,478,059
Short Term Borrowings	2,177,448,310	2,177,448,310
Trade and Other Payables	589,896,693	589,896,693
Interest/mark-up accrued on loans	121,477,564	121,477,564

	Loans and recievables	Held to maturity	Total June 30, 2009
	---------------------- Rupees	----------------------	
Assets as per balance sheet			
Long term investments	467888456	-	467,888,456
Deposits	14,403,435	-	14,403,435
Trade debts	739,099,799	-	739,099,799
Loans and advances	291,926,142	-	291,926,142
Other Recievables	18,869,570	-	18,869,570
Other Financial Asset	9,214,100	-	9,214,100
Cash and bank balances	77,400,115	-	77,400,115

	Financial Liablities measured at amortized cost	Total June 30, 2009
	---------------- Rupees	----------------
Liablities as per balance sheet		
Long Term Loans	2,106,765,401	2,106,765,401
Short Term Borrowings	2,248,333,323	2,248,333,323
Trade and Other Payables	288,870,787	288,870,787
Interest/mark-up accrued on loans	151,221,975	151,221,975

41. CAPITAL MANAGEMENT DISCLOSURE

The company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Capital comprises all components of equity (i.e. share capital, capital reserves and unappropriated profit). The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders or issue new shares.

During the current year, the company's strategy, unchanged from last year, was to maintain the debt-to-adjusted capital ratio between 1 to 3. The debt-to-adjusted capital ratios at June 30, 2010 and June 30, 2009 were as follows:

	2010 Rupees	2009 Rupees
Total debt	4,420,325,025	4,355,098,724
Less: Cash and cash equivalents	(123,497,519)	(77,400,115)
Net debt	4,296,827,506	4,277,698,609
Total equity	2,317,901,490	1,700,659,405
Debt-to-adjusted capital ratio	1.85:1	2.52:1

42. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Particulars	Chief executive officer	Working directors	Executives	2010	2009
	----------(Rupees)----------				
Managerial remuneration	1,080,000	2,160,000	5,555,733	8,795,733	8,215,341
Medical	-	90,527	268,647	359,174	494,807
Rent and utilities	1,379,644	840,000	331,639	2,551,283	2,926,059
Conveyance	-	-	18,000	18,000	32,400
Insurance	-	-	-	-	24,985
	2,459,644	3,090,527	6,174,019	11,724,190	11,693,592
Number of persons	1	2	9	12	13

42.1 In addition to above meeting fee of Rs. 13,000 (2009: Rs. 2,000) was paid to two (2009: one) non working directors.

42.2 Chief executive officer, working directors and some of the executives are also provided with free use of the company maintained cars and telephones at their residences.

	Note	2010	2009
		(Number)	
43. NUMBER OF EMPLOYEES			
Total number of employees at the year end		**3,131**	**2,922**

44. TRANSACTIONS WITH RELATED PARTIES

44.1 Related parties comprise of associated undertakings, directors and executives. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Remuneration of directors and executives are disclosed in note 42. Significant transactions with related parties are as follows:

		2010 Rupees	2009 Rupees
Associated Undertaking			
Funds transfer for equity shares		-	240,000,000
Sale of goods		1,068,513,530	1,012,836,501
Purchase of goods		372,477,675	215,699,159
Transfer of operating assets		-	407,063
Services received		341,419	-
Mark up charged		27,693,173	32,975,222
Specie distribution received	**5.3**	128,953,050	-
Key Management Personnel			
Contributions to post retirement benefits		1,639,600	3,449,693

44.2 Maximum aggregate debit balance of the related parties, accrued due to trading activities, at any month end during the year was Rs. 31.125 million (2009: Rs. 46.780 million).

44.3 Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

45. CAPACITY AND PRODUCTION

Particulars		2010	2009
Number of spindles installed		140,184	137,928
Number of rotors installed		780	780
Number of shifts worked			
Unit I, II & IV		1,093	1,093
Unit III		1,094	1,089
Number of spindles - Shifts worked		151,553,028	150,626,712
Capacity at 20's count	Kgs.	31,287,310	31,341,113
Actual production of all counts	Kgs.	43,722,683	41,995,361
Actual production converted into 20's count	Kgs.	53,505,052	52,203,710

It is difficult to describe precisely the production capacity in spinning mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

46. DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on ……………………... by the Board of Directors of the

47. FIGURES

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER **DIRECTOR** **CHIEF FINANCIAL OFFICER**