35 CAPITAL RISK MANAGEMENT

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

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

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

		2010	2009
Borrowings	Rupees	447,609,433	565,599,052
Total equity	Rupees	22,973,747	(87,408,226)
Total capital employed	Rupees	470,583,180	478,190,826
Gearing ratio	Percentage	95.12	118.28

36 PLANT CAPACITY AND PRODUCTION

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw material used, spindle speed and twist. It would also vary according to the pattern of production adopted in a particular year.

	2010	2009
Total number of spindles installed	19,344	19,344
Total number of spindles worked	18,637	18,066
Number of shifts per day	3	3
Rated capacity converted at 20/1 count (Kgs.)	6,785,551	6,785,551
Actual production converted at 20/1 count (Kgs.)	7,034,381	6,633,236

36.1 Under utilization of available capacity is mainly due to processing of fine counts.

37 TRANSACTIONS WITH RELATED PARTIES

The company has related party relationship with its associated undertakings, its directors and executives officers. Transactions with related parties essentially entail sale and purchase of goods and / or services from the aforementioned concerns. All transactions are carried out on commercial basis.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The company considers all members of their management team, including the chief executive officer and directors to be its key management personnel. There are no transactions with key management personnel other than under the terms of employment.

There are no transactions with key management personnel other than under their terms of employments / entitlements. Balance outstanding from related parties are unsecured and repayable on demand or as contracted. Amounts due to related parties are shown in the relevant notes to the financial statements. Long term financing from related parties, short term borrowings from related parties and remuneration of chief executive, directors and executives are disclosed in the relevant notes to the financial statements.

38 CORRESPONDING FIGURES

Figures have been rearranged / reclassified whenever necessary for the purpose of comparison. However, no major reclassification / rearrangement was made in these financial statements.

39 EVENTS AFTER THE BALANCE SHEET DATE

There are no subsequent events occurring after balance sheet date.

40 DATE OF AUTHORIZATION FOR ISSUE

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

CHIEF EXECUTIVE   DIRECTOR

08 SEP 2010

GLAMOUR TEXTILE MILLS LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2010

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

KARACHI OFFICE:
407-Commerce Centre,
Hasrat Mohani Road,
Karachi-74200.
PH: 2638521-4 FAX: 2639843
e-mails: mushtaqvohra@hmiml.com

LAHORE OFFICE:
20-B, Block-G,
Gulberg-III,
Lahore-54660
PH: 5884926, 5865618 Fax: 5843360
e-mails: najeebvohra@hotmail.com

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS

407-Commerce Centre
Hasrat Mohani Road
Karachi-74200
Tel: 2638521-4
Fax: 2639843

Branch Office:
20-B, Block-G
Gulberg-III, Lahore
Tel: 5884926, 5865618
Fax: 5843360

AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

(b) in our opinion;

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

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

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi:
Date: 08 SEP 2010

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

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS

407-Commerce Centre
Hasrat Mohani Road
Karachi-74200
Tel: 2638521-4
Fax: 2639843

Branch Office:
20-B, Block-G
Gulberg-III, Lahore
Tel: 5884926, 5865618
Fax: 5843360

REVIEW REPORT TO THE MEMBERS

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

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Glamour Textile Mills Limited** to comply with the Listing Regulation No. 35 (previously Regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited, Listing Regulations No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, where the company is listed.

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

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

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

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

Karachi:
Dated: 08 SEP 2010

MUSHTAQ & CO. Karachi Chartered Accountants

Mushtaq & Co.

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

Glamour Textile Mills Limited
Balance Sheet
As at June 30, 2010

	Note	2010	2009
		Rupees	
ASSETS			
Non Current Assets			
Property, plant and equipment	5	571,125,775	540,820,601
Long term loans and advances	6	778,767	-
Long term deposits	7	2,734,699	2,734,699
		574,639,241	543,555,300
Current Assets			
Stores, spare parts and loose tools	8	17,787,947	13,250,892
Stock in trade	9	128,274,038	111,415,134
Trade debts	10	88,596,633	100,369,063
Loans and advances	11	10,453,161	12,695,281
Trade deposits and short term prepayments	12	387,141	115,685
Other receivables	13	335,000	-
Income Tax & Sales Tax	14	10,962,026	8,242,661
Cash and bank balances	15	8,121,393	1,680,848
		264,917,339	247,769,564
Total Assets		839,556,580	791,324,864
EQUITY AND LIABILITIES			
Share Capital and Reserve			
Authorized			
15,000,000 ordinary shares of Rs. 10 each		150,000,000	150,000,000
Issued, subscribed and paid up			
11,640,000 ordinary shares of Rs. 10 each fully paid in cash	16	116,400,000	116,400,000
Accumulated loss		(93,426,253)	(203,808,226)
Total Equity		22,973,747	(87,408,226)
Surplus on revaluation of property, plant and equipment	17	321,449,577	273,990,958
LIABILITIES			
Non - Current Liabilities			
Long term financing	18	299,802,100	299,802,100
Deferred Liabilities			
Staff retirement benefits - gratuity	19	5,426,467	3,994,388
Current Liabilities			
Trade and other payables	20	32,726,373	21,844,529
Accrued interest / mark up	21	9,370,983	13,304,163
Short term borrowings	22	147,807,333	265,796,952
		189,904,689	300,945,644
Contingencies and Commitments	23		
Total Equity and Liabilities		839,556,580	791,324,864

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

CHIEF EXECUTIVE

DIRECTOR

08 SEP 2010

Glamour Textile Mills Limited
Profit and Loss Account
For the Year Ended June 30, 2010

	Note	2010	2009
		Rupees	
Sales - net	24	1,358,437,228	868,203,079
Cost of sales	25	(1,145,840,314)	(815,897,296)
Gross profit		212,596,914	52,305,783
Other operating income	26	297,874	569,651
Distribution cost	27	(23,259,708)	(9,395,368)
Administrative expenses	28	(9,026,361)	(8,187,207)
Other operating expenses	29	(23,107,436)	(233,497)
Finance cost	30	(49,359,957)	(58,073,486)
Profit / (loss) before taxation		108,141,326	(23,014,124)
Taxation	31	(8,264,346)	(419,161)
Profit / (loss) for the year		99,876,980	(23,433,285)
Earnings / (loss) per share - basic and diluted	32	8.58	(2.01)

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

CHIEF EXECUTIVE

DIRECTOR

0 8 SEP 2010

Glamour Textile Mills Limited
Statement of Comprehensive Income
For the Year Ended June 30, 2010

	Note	2010	2009
		Rupees	
Net income/ (loss) for the period		99,876,980	(23,433,285)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		99,876,980	(23,433,285.00)

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

CHIEF EXECUTIVE

DIRECTOR

Glamour Textile Mills Limited
Cash Flow Statement
For the Year Ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
A) CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation		108,141,326	(23,014,124)
Adjustments for :			
Depreciation		35,707,978	37,584,686
Staff retirement benefits - gratuity		3,636,833	1,965,568
Profit on disposal of fixed assets		(151,345)	(552,906)
Loss on disposal of fixed assets		1,825,549	-
Credit balances added back		(146,529)	(16,745)
Debit balances written off		8,669,319	466,994
Finance cost		49,359,957	58,073,486
Provision for workers welfare fund		2,206,966	-
Provision for workers profit participation fund		5,807,805	-
		106,916,533	97,521,083
Profit before working capital changes		215,057,859	74,506,959
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(4,537,055)	598,457
Stock in trade		(16,858,904)	64,573,266
Trade debts		3,103,112	(581,565)
Loans and advances		2,242,120	(5,074,414)
Trade deposits and short term prepayments		(271,456)	176,126
Other receivables		(335,000)	2,108,615
Tax refunds due from Government		(2,796,412)	155,551
		(19,453,595)	61,956,036
Increase / (decrease) in current liabilities			
Trade and other payables		3,013,602	5,552,660
Cash used in operations		198,617,866	142,015,655
Finance cost paid		(53,293,137)	(56,922,327)
Gratuity paid		(2,204,754)	(927,500)
Taxes paid		(8,187,299)	(1,373,135)
		(63,685,190)	(59,222,962)
Net cash generated from operating activities		134,932,676	82,792,693
B) CASH FLOWS FROM INVESTING ACTIVITIES			
Sale proceeds of fixed assets		1,036,000	1,230,000
Property, plant and equipment		(10,759,745)	(6,503,411)
Capital work in progress		-	(4,527,081)
Long term loans and advances		(778,767)	-
Net cash used in investing activities		(10,502,512)	(9,800,492)
C) CASH FLOWS FROM FINANCING ACTIVITIES			
Loan received from associated undertaking		-	20,000,000
Long term loan repaid during the period		-	(33,333,000)
Short term borrowings- net		(117,989,619)	(60,096,089)
Net cash used in financing activities		(117,989,619)	(73,429,089)
Net increase/(decrease) in cash and cash equivalents	(A+B+C)	6,440,545	(436,888)
Cash and cash equivalents at the beginning of the year		1,680,848	2,117,736
Cash and cash equivalents at the end of the year		8,121,393	1,680,848
Cash and cash equivalents			
Cash and bank balances	15	8,121,393	1,680,848
		8,121,393	1,680,848

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

CHIEF EXECUTIVE

DIRECTOR

0 8 SEP 2010

Glamour Textile Mills Limited
Statement of Changes in Equity
For the Year Ended June 30, 2010

	Share capital	Accumulated loss	Total
	Rupees		
Balance as at July 01, 2008	116,400,000	(190,053,296)	(73,653,296)
Total comprehensive loss for the period	-	(23,433,285)	(23,433,285)
Transfer from surplus on revaluation of property, plant and equipment		9,678,355	9,678,355
Balance as at June 30, 2009	116,400,000	(203,808,226)	(87,408,226)
Balance as at July 01, 2009	116,400,000	(203,808,226)	(87,408,226)
Total comprehensive income for the period	-	99,876,980	99,876,980
Transfer from surplus on revaluation of property, plant and equipment	-	10,504,993	10,504,993
Balance as at June 30, 2010	116,400,000	(93,426,253)	22,973,747

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

CHIEF EXECUTIVE

DIRECTOR

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 The company is limited by shares, incorporated in Pakistan on September 14, 1991 and is quoted on stock exchanges at Karachi, Islamabad and Lahore. The registered office of the company is situated at 11 K.M., Manga Raiwind Road, District Kasur in the province of Punjab, Pakistan.

1.2 The principal business of the company is manufacture and sale of yarn. The manufacturing unit is also located at Manga Raiwind Road in the province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard 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.

2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the company's functional and presentation currency and figures are rounded to the nearest rupee.

2.3 Standards, interpretations and amendments to published approved accounting standards

2.3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

¤ IAS 1 (Revised), 'Presentation of Financial Statements' is effective from January 2009. The revised standard requires that all changes in equity arising from transactions with owners in their capacity as owners (i.e owners changes in equity) to be presented separately from non-owner changes in equity. An entity is not permitted to present components of comprehensive income (i.e non-owner changes in equity) in the statement of changes in equity. As a result the company shows all owner related changes in equity in statement of changes in equity, whereas all non-owner changes in equity are presented in other comprehensive income, Comparative information is required to be re-presented so that it is in conformity with the revised standard.

Income and expenses to be presented in one statement (a statement of comprehensive income) or in two statements (a separate income statement and a statement of comprehensive income). The company has preferred to present two statements; (a statement displaying components of profit or loss separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income). Comparative information has also been re presented/re arranged so it is in conformity with the revised standard. The amendment change only presentation aspects of the financial statements, it has no impact on profit or loss for the year.

¤ IAS 23 (Amendment), 'Borrowing Costs' is effective from January 1, 2009. The amendment requires an entity shall capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The allowed alternative treatment of recognition of borrowing cost has been removed. The company's current accounting policy is in compliance with this amendment, and therefore there is no impact on the company's financial statements.

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

- IAS 38 (Amendment),' Intangible Assets'. is effective from annual periods beginning on or after July 1, 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any significant impact on the company's financial statements.

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

- IAS 27 (Revised),' Consolidated and Separate Financial Statements', is effective from July 1, 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in income statement. The amendment will not result in any material impact on the company's financial statements.

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

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

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

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

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

- IFRS 7,'Financial Instruments: Disclosures' is effective from January 1, 2009. IFRS 7 introduces new disclosures relating to financial instruments. The application of IFRS 7 has resulted in additional disclosures in the company's financial statements, however, there is no impact on profit for the year.

- IFRS 8,'Operating Segments' is effective for annual periods beginning on or after January 01, 2009. IFRS 8 replaces the IAS 14" segment reporting" and introduces the "management approach " to segment reporting. It requires a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the company's "chief operating decision maker" in order to asses each segment's performance and to allocate resources to them. The amendment will not result in any impact on the company's financial statements.

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

- IFRIC 17 - Distribution of non - cash assets to owner(effective from July 01, 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in the equity. When the non cash assets is distributed, the difference between the carrying amount and fair value is recognized in the income statement.

- IFRIC 18- Transfers of the assets from customer (to be applied prospectively to transfer of assets from customers received on or after 1st July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

2.3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective and have not been early adopted in the current year

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after January 1, 2010 or later periods, but the company has not early adopted them:

- IAS 1 (Amendment), 'Presentation of Financial Statements' . The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The company will apply IAS 1(amenndment) from January 1, 2010. It is not expected to have a material impact on the company's financial statements.

- IAS 17 (Amendment). 'Leases' is effective from annual periods beginning on or after January 1, 2010. The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendment clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7-13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the company's operations.

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

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

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

- IAS 39 (Amendment),' Cash Flow Hedge Accounting'. This amendment provides clarification when to recognize gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to income statement in the period in which the hedged forecast cash flow affects income statement. The company will apply IAS 39 (Amendment) from January 1, 2010. It is not expected to have any significant impact on the company's financial statements.

- IFRS 2 (Amendment), "Share-based Payment - Group Cash-settled Share-based Payment Transactions is effective for annual periods beginning on or after January 01, 2010. The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principal even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. Retrospective application is subject to the transitional requirements in IFRS 2.

- IFRS 5 (Amendment), 'Measurement of Non-Current Assets (or disposal group) Classified as Held-for-Sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current asset (or disposal group) classified as held-for-sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The company will apply IFRS 5 (Amendment) from January 1, 2010. It is not expected to have a material impact on the company's financial statements.

- IFRS-9 'Financial Instruments' (effective for annual periods beginning on or after January 1, 2013). IFRS 9 is the first standard issued as a part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary classifications depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply

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

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

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

- IAS 34, 'Interim Financial Reporting' (effective for annual periods beginning on or after January 1, 2011). The amendments add examples to the list of events or transactions that require disclosures under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.

- IFRIC 13, 'Customer Loyalty Programmes' (effective for annual periods beginning on or after January 1, 2011). The amendment clarify that the fair value of the award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

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

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment at revalued amounts, revaluation of certain financial instruments at fair value and recognition of certain staff retirement benefits at present value.

The company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows.

3.1 Provision for taxation

The company takes into account the current income tax law and decisions taken by the appellate authorities. Instances where the company's' view differs from the view taken by the income tax department at the assessment stage and where the company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.2 Staff retirement benefits - gratuity

Certain actuarial assumptions have been adopted as disclosed in relevant note to the financial statements for valuation of present value of defined benefit obligation. Any changes in these assumptions in future year might affect unrecognized gains and losses in those years.

3.3 Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on market conditions existing at balance sheet date.

3.4 Property, plant and equipment

The company reviews recoverable amount, useful life , residual value and possible impairment on an annual basis. Any changes, if material in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

3.5 Other areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows.

- 3.5.1 Provision for doubtful debts
- 3.5.2 Estimation of net realizable value
- 3.5.3 Disclosure of contingencies
- 3.5.4 Computation of deferred taxation

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of theses financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Property, plant and equipment - owned

Recognition

Property, plant and equipment except for freehold land are stated at cost / revalued amount less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss. Cost of tangible assets consists of historical cost pertaining to erection / construction period and other directly attributable cost of bringing the asset to working condition.

Subsequent cost are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent that it reverses deficit on revaluation of the same assets previously recognized in profit or loss, in which case the surplus is credited to profit or loss to the extent of deficit previously charged to income. Deficit on revaluation of an item of property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any held in surplus on revaluation of property, plant and equipment relating to previous revaluation of that item. On subsequent sale or retirement of revalued item of property, plant and equipment the attributable surplus remaining in the surplus on revaluation of property, plant and equipment is transferred directly to unappropriated profit. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

Depreciation

Depreciation on all items of property, plant and equipment except for freehold land is charged to income applying the reducing balance method so as to write off historical cost of an asset over its estimated useful life at the rates as disclosed in relevant note.

Depreciation on additions is charged from the month in which the asset become available for uses while no depreciation is charged in the month of disposal.

Derecognition

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the assets) is included in the income statement in the year the assets is derecognized.

4.2 Accounting for leases and assets subject to finance lease

4.2.1 Finance lease

Recognition

Leases where the company has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are initially recognized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss. The related rental obligations, net off finance cost, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non current depending upon the timing of payments.

Financial charges

Lease payments are allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to income over the lease term.

Depreciation

Assets acquired under a finance lease are depreciated in the same manner and at the same rates used for similar owned assets, so as to depreciate these assets over their estimated useful lives in view of certainty of ownership of these assets at the end of lease term. Depreciation of the leased assets is charged to income.

Deferred income

Income arising from sale and lease back transaction, if any, which results in finance lease, is deferred and amortized equally over the lease period.

4.2.2 Operating lease

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income on a straight-line basis over the period of lease.

4.3 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss. Transfers are made to relevant fixed assets category as and when assets are available for use.

4.4 Long term deposits

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

4.5 Stores, spare parts and loose tools

These are valued at lower of cost and net realizable value. Cost is determined by moving average method. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

4.6 Stock in trade

These are valued at lower of cost and net realizable value except waste which is valued at net realizable value. Cost is determined as follows.

4.6.1 Raw material		
	In hand	Weighted average cost
	In transit	Cost comprising invoice value plus other charges incurred thereon
4.6.2 Finished goods and work in process		Raw material cost plus appropriate manufacturing overheads
4.6.3 Waste		Net realizable value

Net realizable value signifies the estimated selling prices in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sales.

4.7 Trade debts and other receivables

Trade debts originated by the company are recognized and carried at original invoice value less any allowance for uncollectible amounts. An estimated provision for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. The amount of provision is charged to income. Bad debts are written off as incurred. Other receivables are stated at amortized cost. Known impaired receivables are written off, while receivables considered doubtful are provided for.

4.8 Cash and cash equivalents

Cash in hand, cash at bank and short term deposits, which are held to maturity, are carried at cost. For the purpose of cash flow statements, cash and cash equivalent comprise cash in hand, with banks on current & saving accounts.

4.9 Staff retirement benefits

Defined benefit plan

The company operates an unfunded gratuity scheme covering for all its permanent employees who have attained the minimum qualifying period for entitlement to the gratuity.

Provision is made annually to cover the obligation on the basis of actuarial valuation and charged to income currently. The most recent actuarial valuation was carried on June 30, 2010 using the Projected Unit Credit Method.

Net cumulative unrecognized actuarial gains / losses relating to previous reporting periods in excess of the higher of 10 percent of present value of defined benefit obligation or 10 percent of the fair value of plan assets are recognized as income or expense over the estimated remaining working lives of the employees.

4.10 Taxation

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

4.10.1 Current

Provision for current taxation is based on taxability of certain income streams of the company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credit and tax rebates available, if any. The charge for current tax includes any adjustment to past years liabilities.

4.10.2 Deferred

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

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits to the extent that it is probable that future taxable profits will be available against which deferred tax asset can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability that, at the time of transaction, affects neither the accounting nor taxable profits.

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

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

4.11 Trade and other payables

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

4.12 Provisions

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

4.13 Borrowings and borrowing costs

Borrowings are recorded at the proceeds received. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of the amount remaining unpaid.

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

4.14 Revenue recognition

Revenue is recognized on dispatch of goods or on performance of services. Return on deposits is recognized on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

4.15 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange prevailing at the balance sheet date, except those covered by forward contracts, which are stated at contracted rates. Foreign currency transactions are translated into Pak Rupees at the rates prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates. Non monetary items are translated into Pak Rupee on the date of transaction or on the date when fair values are determined. Exchange differences are included in income currently.

4.16 Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and derecognized when the company loses control of contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.17 Offsetting of financial assets and liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and the liabilities simultaneously.

4.18 Impairment

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

4.19 Related party transactions

All transactions with related parties are carried out by the company at arms' length price using the method prescribed under the Companies Ordinance, 1984 with the exception of loan taken from related parties which is interest / mark up free.

4.20 Government grants

Government grants for meeting revenue expenses are set off from respective expenses in the year in which they become receivable.

4.21 Research and development cost

Research and development cost is charged to profit and loss account in the year in which it is incurred.

4.22 Dividend

The dividend distribution to the shareholders is recognized as a liability in the period in which it is approved by the shareholders.

5 PROPERTY, PLANT AND EQUIPMENT

	Note	2010 Rupees	2009 Rupees
Operating assets - owned	5.1	571,125,775	536,293,520
Capital work in progress - at cost	5.5	-	4,527,081
		571,125,775	540,820,601

5.1 Operating assets - owned

	Freehold land	Building on freehold land	Plant and machinery	Furniture, fixture and equipments	Vehicles	Total
	Rupees					
Cost / revaluation						
Balance as at July 1, 2008	143,478,000	152,450,902	852,103,850	11,681,374	4,354,683	1,164,068,809
Additions during the year	-	9,003,083	9,057,708	138,776	624,235	18,823,802
Revaluation / adjustment	-	-	-	-	-	-
Disposals	-	-	(865,177)	-	(396,000)	(1,261,177)
Balance as at June 30, 2009	143,478,000	161,453,985	860,296,381	11,820,150	4,582,918	1,181,631,434
Balance as at July 1, 2009	143,478,000	161,453,985	860,296,381	11,820,150	4,582,918	1,181,631,434
Additions during the year	-		11,237,426	221,599	3,827,800	15,286,825
Revaluation / adjustment	(7,853,000)	(4,602,736)	223,054,175			210,598,439
Disposals	-		(10,865,355)		(974,670)	(11,840,025)
Balance as at June 30, 2010	135,625,000	156,851,249	1,083,722,627	12,041,749	7,436,048	1,395,676,673
Depreciation						
Balance as at July 1, 2008	-	55,336,669	544,039,673	6,826,465	2,154,706	608,357,513
Charge for the year	-	5,320,767	31,314,310	491,677	457,932	37,584,686
Revaluation / adjustment	-	-	(20,202)	-	-	(20,202)
Disposal	-	-	(328,799)	-	(255,284)	(584,083)
Balance as at June 30, 2009	-	60,657,436	575,004,982	7,318,142	2,357,354	645,337,914
Balance as at July 1, 2009	-	60,657,436	575,004,982	7,318,142	2,357,354	645,337,914
Charge for the year	-	5,039,828	29,517,525	457,821	692,804	35,707,978
Revaluation / adjustment	-	(1,872,900)	154,507,727			152,634,827
Disposal	-		(8,344,806)		(785,015)	(9,129,821)
Balance as at June 30, 2010	-	63,824,364	750,685,428	7,775,963	2,265,143	824,550,898
Written down value as at June 30, 2009	143,478,000	100,796,549	285,291,399	4,502,008	2,225,564	536,293,520
Written down value as at June 30, 2010	135,625,000	93,026,885	333,037,199	4,265,786	5,170,905	571,125,775
Rate of depreciation	-	5%	10%	10%	20%	

5.2 The depreciation for the year has been allocated as under.

	Note	2010 Rupees	2009 Rupees
Cost of sales	25.1	32,713,536	34,650,197
Administrative expenses	28	2,994,442	2,934,489
		35,707,978	37,584,686

5.3 Had there been no revaluation, the original cost and accumulated depreciation of revalued assets would have been as follows as on June 30, 2010.

	Cost	Accumulated depreciation	Written down value
	Rupees		
Land	15,791,001	-	15,791,001
Building	92,480,693	46,839,675	45,641,018
Plant and machinery	636,213,126	425,330,015	210,883,111
	744,484,820	472,169,690	272,315,130

The company had its freehold land, building on freehold land, plant and machinery revalued at June 30,2010. Revaluation of the assets were carried out by the independent valuers "M/s Harvester Services (Pvt) Limited" registered surveyors and valuation consultants. Freehold land was revalued at market value and building on freehold land, plant and machinery are valued at depreciated market value.

5.4 **Detail of assets disposed off**

Description	Mode of disposal	Particulars of buyer	Cost	Accumulated depreciation	Written down value	Sale proceeds
			Rupees			
Plant and machinery	Negotiation	Muhammad Aslam - Faisalabad	10,865,355	8,344,806	2,520,549	695,000
Vehicle	Negotiation	Parvaiz Ali - Qasooor	974,670	785,015	189,655	341,000
			11,840,025	9,129,821	2,710,204	1,036,000

		Note	2010	2009
			Rupees	
5.5	**Capital work in progress**			
	Plant and machinery		-	4,527,081
			-	4,527,081
6	**LONG TERM LOANS AND ADVANCES**			
	Loan to employees - considered good - unsecured			-
	Workers and emloyees	6.1	838,767	-
	Less: Current portion		(60,000)	-
			778,767	-

6.1.1 All the loans are granted to the workers and emloyees (drawing below taxable income), free of interest in accordance with their terms of employment.

		Note	2010	2009
7	**LONG TERM DEPOSITS**			
	Security deposits - utilities		2,734,699	2,734,699
			2,734,699	2,734,699
8	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		1,985,432	1,522,438
	Spare parts		15,692,035	11,622,865
	Loose tools		110,480	105,589
			17,787,947	13,250,892
9	**STOCK IN TRADE**			
	Raw material	9.1	94,543,818	85,144,677
	Work in process		5,947,579	6,094,531
	Finished goods		26,836,112	18,549,857
	Waste		946,529	1,626,069
			128,274,038	111,415,134

9.1 Raw material of Rs. 75.825 million (June 30, 2009 : Rs. 37.474 million) are pledged as security for short term borrowing (cash finance).

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10 TRADE DEBTS

	Note	2010 Rupees	2009 Rupees
Export - secured			
Considered good		-	13,973,185
Local - unsecured			
Considered good		88,596,633	86,395,878
Considered doubtful		13,267,116	233,497
		101,863,749	100,602,560
Less:			
Provision for doubtful debts		(4,597,797)	-
written off directly		(8,669,319)	(233,497)
		88,596,633	100,369,063

11 LOANS AND ADVANCES

	Note	2010	2009
Considered good			
Advances to			
Suppliers		5,464,206	8,602,262
Workers	11.1	2,672,206	4,077,881
Letter of credit		2,316,749	15,138
		10,453,161	12,695,281

11.1 Paid to workers drawing below taxable wages. Any interest under section 13 of the Income Tax Ordinance 2001 will not yield in taxable income , therefore no interest is provided.

12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2010	2009
Security deposits	29,000	34,000
Prepayments	358,141	81,685
	387,141	115,685

13 OTHER RECEIVABLES

	2010	2009
Considered good		
Claims receivable	335,000	-
	335,000	-

14 INCOME TAX & SALES TAX

	2010	2009
Considered good		
Sales tax receivable	8,753,302	5,956,890
Advance income tax	2,208,724	2,285,771
	10,962,026	8,242,661

15 CASH AND BANK BALANCES

	2010	2009
Cash in hand	30,410	189,716
Cash at banks - current accounts	8,090,983	1,491,132
	8,121,393	1,680,848

16 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010 Number of shares	2009 Number of shares		2010 Rupees	2009 Rupees
11,640,000	11,640,000	Ordinary shares of Rs. 10 each allotted for consideration fully paid in cash	116,400,000	116,400,000
11,640,000	11,640,000		116,400,000	116,400,000

16.1 The shareholders are entitled to receive all distribution to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the company. All shares carry "one vote" per share without restriction.

16.2 There is no movement in share capital during the year.

	Note	2010 Rupees	2009 Rupees
17 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Opening balance		273,990,958	283,649,111
Addition during the year		57,963,612	-
Adjustment of downward revaluation on disposal of property, plant and equipment		-	20,202
		331,954,570	283,669,313
Transfer to unappropriated profit in respect of :			
Disposal of property, plant and equipment		802,014	-
Incremental depreciation on revalued assets		9,702,979	9,678,355
		10,504,993	9,678,355
Closing balance		321,449,577	273,990,958
18 LONG TERM FINANCING			
Unsecured - from related parties	18.1		
Directors		214,802,100	134,802,100
Associated undertaking		85,000,000	165,000,000
		299,802,100	299,802,100

18.1 These are unsecured, interest free loans and not repayable within next twelve months. However, during the year the company transferred a loan of Rs. 80,000,000 from associated undertaking to long term financing from directors . Out of total loan Rs. 192,800,000 (June 30, 2009 : Rs. 192,800,000) was subordinated to short term borrowings from banking company.

	Note	2010 Rupees	2009 Rupees
19 STAFF RETIREMENT BENEFITS - GRATUITY			
19.1 Movement in net liability recognized in the balance sheet			
Opening net liability		3,994,388	2,956,320
Expenses for the year	19.2	3,636,833	1,965,568
		7,631,221	4,921,888
Benefits paid during the year		(2,204,754)	(927,500)
Closing net liability		5,426,467	3,994,388
19.2 Expenses recognized in the profit and loss account			
Current service cost		3,240,546	1,464,437
Interest cost		562,429	182,393
Actuarial loss / (gain) recognized		(166,142)	318,738
		3,636,833	1,965,568
19.3 Movement in the present value of defined benefit obligation			
Present value of defined benefit obligation		3,049,855	6,291,858
Interest cost for the year		562,429	182,393
Current service cost for the year		3,240,546	1,464,437
Benefits paid during the year		(2,204,754)	(927,500)
Actuarial loss		3,841,809	(3,961,333)
		8,489,885	3,049,855

19.4 Historical information

	2010	2009	2008	2007	2006
Present value of defined benefit obligation	8,489,885	3,049,855	6,291,858	3,860,271	2,705,488
Experience adjustments in plan liabilities	3,841,809	(3,961,333)	1,591,251	1,191,783	1,003,232

	2010	2009
	Rupees	
19.5 Reconciliation of present value of defined benefit obligation to liabilities recognized in balance sheet		
Present value of defined benefit obligation	8,489,885	3,049,855
Actuarial (loss) / gain to be recognized in later periods	(3,063,418)	944,533
	5,426,467	3,994,388

19.6 General description

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

	2010	2009
19.7 Principal actuarial assumptions		
Following are a few important actuarial assumptions used in the valuation.		
Discount rate	12%	13%
Expected rate of salary increase in future	10%	10%

19.8 Expected gratuity expense for the year ending June 30, 2011 works out to Rs. 4,524,445.

	2010	2009
	Rupees	
20 TRADE AND OTHER PAYABLES		
Creditors	9,738,497	8,302,206
Accrued liabilities	14,377,848	12,218,932
Advance from customers	1,535,865	1,245,282
Workers profit participation fund	5,807,805	-
Workers welfare fund payable	1,235,588	-
Withholding tax payable	30,770	78,109
	32,726,373	21,844,529

	Note	2010	2009
		Rupees	
21 ACCRUED INTEREST / MARK UP			
Secured - from banking companies			
Long term financing		-	238,991
Short term borrowings		9,370,983	13,065,172
		9,370,983	13,304,163
22 SHORT TERM BORROWINGS			
Secured - from banking companies			
Cash finance	22.1	68,242,100	33,727,000
Running finance		79,565,233	212,489,713
Secured - from related party			
Associated undertaking	22.2	-	19,580,239
		147,807,333	265,796,952

22.1 These finances are available from banking companies under mark up arrangements against aggregate sanctioned limit of Rs. 605 million (June 30, 2009 : 560 million). These facilities are secured against registered equitable mortgage charge on fixed assets with deposit of title deeds of land, hypothecation and floating charge on stocks, book debts, current assets, pledge of raw cotton bales, pledge of cotton yarn, pledge of government securities owned by directors and personal guarantees of the directors. These carries markup ranging from 13.84 to 14.54 (June 30, 2009 : 11.50 to 17.68) percent per annum payable quarterly. These facilities will expire on various dates by October 31, 2010.

22.2 These are unsecured and interest free loans.

	Note	2010 Rupees	2009 Rupees
23 CONTINGENCIES AND COMMITMENTS			
Contingencies			
Bills discounted with recourse		37,333,671	61,826,985
Bank guarantee issued in the ordinary course of business		13,732,510	12,778,410
Commitments			
Letter of credit for capital expenditures		58,497,760	-
Letter of credit for stores and spares parts		-	2,673,625
24 SALES - NET			
Yarn			
Local		1,062,731,109	799,691,884
Export	24.1	258,838,350	55,889,306
Cotton			
Local		8,475,660	-
Waste		28,392,109	12,621,889
		1,358,437,228	868,203,079

24.1 It includes net exchange gain amounting to Rs. 2,317,359 (June 30, 2008 : Rs. 443,592).

	Note	2010 Rupees	2009 Rupees
25 COST OF SALES			
Cost of goods manufactured	25.1	1,152,665,029	808,962,767
Finished goods			
Opening		20,175,926	27,110,455
Finished goods purchased during the year		782,000	-
Closing		(27,782,641)	(20,175,926)
		(6,824,715)	6,934,529
		1,145,840,314	815,897,296

	Note	2010 Rupees	2009 Rupees
25.1 Cost of goods manufactured			
Raw materials consumed	25.2	869,847,072	599,357,657
Cost of raw material sold		8,100,864	-
Fuel and power		109,086,172	81,659,013
Stores and spares consumed		31,329,679	17,635,143
Salaries, wages and other benefits		72,596,856	55,832,109
Staff retirement benefits - gratuity		3,164,595	1,489,359
Packing material consumed		17,369,714	12,071,151
Depreciation	5.2	32,713,536	34,650,197
Other expenses		8,309,589	8,092,593
		1,152,518,077	810,787,222
Work in process			
Opening		6,094,531	4,270,076
Closing		(5,947,579)	(6,094,531)
		146,952	(1,824,455)
		1,152,665,029	808,962,767

	Note	2010 Rupees	2009 Rupees
25.2 Raw material consumed			
Opening stock		85,144,677	144,607,869
Purchases		881,277,223	539,894,465
		966,421,900	684,502,334
Closing stock		94,543,818	85,144,677
Insurance claim received		2,031,010	-
		869,847,072	599,357,657

		Note	2010	2009
			Rupees	
26	**OTHER OPERATING INCOME**			
	From other then financial assets			
	Credit balances written back		146,529	16,745
	Profit on sale of property plant and equipment		151,345	552,906
			297,874	569,651
27	**DISTRIBUTION COST**			
	Commission on local sales		6,920,882	5,381,822
	Commission on export sales		6,195,063	1,663,478
	Local freight		1,519,855	1,204,726
	Inland freight on export sales		2,178,346	431,500
	Ocean freight		2,805,128	321,530
	Export development surcharge		674,579	96,937
	Clearing and forwarding		836,076	202,150
	Bank charges		1,105,012	15,108
	Other export expenses		1,024,767	78,117
			23,259,708	9,395,368
28	**ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits		2,886,012	2,442,738
	Staff retirement benefits - gratuity		472,238	476,209
	Rent, rates and taxes		400,777	396,255
	Legal and professional		30,000	126,220
	Repairs and maintenance		358,085	370,860
	Traveling and conveyance		68,968	127,064
	Vehicle running expenses		517,882	443,069
	Entertainment		73,895	63,934
	Insurance		192,211	138,565
	Auditors' remuneration	28.1	570,000	308,000
	Advertisement		67,740	26,670
	Postage, telephones and telegrams		210,752	250,427
	Electricity, gas and water		5,356	8,913
	Printing and stationary		178,003	73,794
	Depreciation	5.2	2,994,442	2,934,489
			9,026,361	8,187,207
28.1	**Auditors' remuneration**			
	Statutory audit fee		500,000	247,500
	Review of code of corporate governance		25,000	27,500
	Half yearly and other reviews		35,000	33,000
	Tax services and other certification		10,000	-
			570,000	308,000
29	**OTHER OPERATING EXPENSES**			
	Loss on disposal of fixed assets		1,825,549	-
	Bad debts written off directly		8,669,319	233,497
	Provision for doubtful debts		4,597,797	-
	Workers welfare fund		2,206,966	-
	Workers profit participation fund		5,807,805	-
			23,107,436	233,497

30 FINANCE COST	Note	2010	2009
		Rupees	
Markup on long term financing			
Banking company		-	2,453,241
Markup on short term borrowings			
Banking companies		46,575,272	54,025,740
Bank charges and commission		2,784,685	1,594,505
		49,359,957	58,073,486
31 TAXATION			
Current year		8,264,346	419,161
		8,264,346	419,161

31.1 Current tax

The assessment of the company will be finalized in respect of export proceeds under presumptive tax regime under section 169. Other than export income, assessment will be finalized under the provisions of Income Tax Ordinance, 2001. Income tax return of the company has been filed up to tax year 2009. The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the total income of the company is liable to tax under section 169 of Income Tax ordinance, 2001.

31.2 Deferred tax

During the year deferred tax assets amounting to Rs. 19,967,558 arised which has not been recognized as it is not probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

32 EARNINGS PER SHARE - basic and dilutive

		2010	2009
Profit / loss for the year	Rupees	99,876,980	(23,433,285)
Weighted average number of ordinary shares	Numbers	11,640,000	11,640,000
Earnings / (loss) per share - basic	Rupees	8.58	(2.01)

32.1 There is no dilutive effect on basic earning / (loss) per share.

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The chief executive and directors have waived off their remunerations and meeting fees for the year. One director is entitled for maintenance of two cars. The maintenance expenses for the year is Rs. 642,263 (June 30, 2009: 491,136). No employee fall under the definition of executiveas defined under the Companies Ordinance, 1984.

34 FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

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

34.1 Credit risk
34.2 Liquidity risk
34.3 Market risk

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

34.1 Credit risk

34.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 104.766 million (June 30, 2009 : Rs. 108.896 million), financial assets which are subject to credit risk aggregate to Rs. 96.644 million (June 30, 2009 : Rs. 107.216 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows.

	2010	2009
	Rupees	
Long term deposits	2,734,699	2,734,699
Trade debts	88,596,633	100,369,063
Loans and advances	2,672,206	4,077,881
Trade deposits and short term prepayments	29,000	34,000
Other receivables	335,000	-
Cash and bank balances	8,121,393	1,680,848
	102,488,931	108,896,491

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

	2010	2009
	Rupees	
Domestic	88,596,633	86,395,878
Export	-	13,973,185
	88,596,633	100,369,063

The export debtors of the company are situated in China.

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

	2010	2009
	Rupees	
Yarn	88,596,633	100,369,063
	88,596,633	100,369,063

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

	Gross debtors 2010	Gross debtors 2009
	Rupees	
Not past due	79,151,584	72,969,869
Past due 1-30 days	8,466,658	6,820,706
Past due 31-1 year	528,391	10,157,254
Past due more than 1 year	5,047,797	10,421,234
Provision for doubtful debts	(4,597,797)	-
	88,596,633	100,369,063

Based on the past experience, sales volume, consideration of financial position, past track records and recoveries and economic conditions, the company have made provision of doubtful balance outstanding more than one year.

34.2 Liquidity risk

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

2010	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
Non - derivative Financial liabilities						
Long term financing	299,802,100	299,802,100	-	-		299,802,100
Trade and other payables	31,159,738	31,159,738	31,159,738	-	-	-
Accrued mark up and interest	9,370,983	9,370,983	9,370,983	-	-	-
Short term borrowings	147,807,333	158,508,584	158,508,584	-	-	-
	488,140,154	498,841,405	199,039,305	-	-	299,802,100

2009	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
Non - derivative Financial liabilities						
Long term financing	299,802,100	299,802,100			-	299,802,100
Trade and other payables	20,521,138	20,521,138	20,521,138	-	-	-
Accrued mark up and interest	13,304,163	13,304,163	13,304,163	-	-	-
Short term borrowings	265,796,952	287,782,790	287,782,790	-	-	-
	599,424,353	621,410,191	321,608,091	-	-	299,802,100

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

34.3 Market risk

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

34.3.1 Currency risk

Exposure to currency risk

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

	US Dollar	Rupees
Trade debts 2010	-	-
Trade debts 2009	177,510	13,973,185

The following significant exchange rates applied during the year.

	Average rates		Reporting date rates	
	2010	2009	2010	2009
US Dollar to Rupee	84.19	75.00	85.60	81.10

Sensitivity analysis

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

	2010	2009
	Rupees	
US Dollar	(178,024)	(296,927)

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

34.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposures arises from long term financing and short term borrowings. At the balance sheet date the interest rate profile of the company's interest bearing financial instrument is as follows.

	2010	2009
	Rupees	
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
Variable rate instruments		
Financial assets	-	-
Financial liabilities	147,807,333	246,216,713

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Profit and loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	Rupees			
Cash flow sensitivity - variable rate instruments 2010	465,753	(465,753)	-	-
Cash flow sensitivity - variable rate instruments 2009	564,790	(564,790)	-	-

34.4 Fair value of financial assets and liabilities

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

	2010	2009
34.5 Off balance sheet items	Rupees	
Contingencies		
Bills discounted with recourse	37,333,671	61,826,985
Bank guarantee issued in the ordinary course of business	13,732,510	12,778,410
Commitments		
Letter of credit for capital expenditures	58,497,760	-
Letter of credit for stores and spares parts	-	2,673,625

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