

ASIM TEXTILE MILLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2010

ARSHAD RAHEEM & Co
Chartered Accountants

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REVIEW REPORT TO THE MEMBERS
on Statement of Compliance with the Best Practices of
Code of Corporate Governance

We have reviewed the Statement of Compliance with the Best Practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2010, prepared by the Board of Directors of **Asim Textile Mills Limited** ("the Company") to comply with the Listing Regulation Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange where the Company is listed.

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

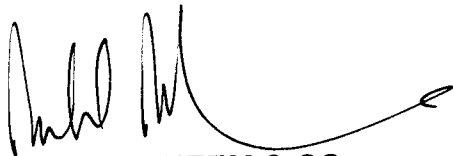
As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulation 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place the 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

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separately placed before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's price or not.

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



ARSHAD RAHEEM & CO.
Chartered Accountants

Lahore: 07 OCT 2010

Engagement Partner: ARSHAD RAHEEM

ARSHAD RAHEEM & Co
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Asim 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 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 the absence of direct confirmations from the third parties, we could not verify the following balances as on June 30, 2010 and any movement their in during the year due to which current portion of such long term loan can not be ascertained:

	Notes to the accounts	Amount (Rupees in Million)
i. Long term financing	7	415.047
ii. Short term borrowing	11	2.544
iii. Interest accrued on long term financing	10	194.161

- (b) Mark up aggregating to Rs. 29.776 Million on financial institutions' lending as referred in Note 7, 10 & 27.1 of the financial statements has not been accrued in the financial statements. Due to which current liabilities and accumulated loss are understated by that amount, however profit for the year do not effect as the same is related to prior years.

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

ARSHAD RAHEEM & Co

Chartered Accountants

(d) 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 except for change as stated in note 2.2 to the financial statements with which we concur;
- (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;

(e) 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 except for the remarks of foregoing paragraph (a) to (b) and to the extent to which this may affect the financial statements, respectively give a true and fair view of the state of the company's affairs as at June 30, 2010 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Without further qualifying our opinion, we draw attention to Note 1.2 to the financial statements, which indicate that the Company has accumulated loss of Rs. 512.371 million as at June 30, 2010. Its total liabilities exceed its total assets by Rs. 218.690 million and its current liabilities exceed its current assets by Rs. 113.578 million as at balance sheet date. These conditions along with the matter stated in Notes 7.4, 11.1 and 12 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The management of the company, however believes that it has sufficient assets and resources to meet its current liabilities including the results in profitability during the current year. Management expectation including future trends and profitability in regard to this matter are also discussed in the said note to the financial statements. In view of the above, these financial statements have been prepared on going concern basis.


ARSHAD RAHEEM & CO.
Chartered Accountants

Lahore: 07 OCT 2010

Engagement Partner: **ARSHAD RAHEEM**

ASIM TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 (Rupees in thousand)	2009
Sales - <i>net</i>	21	832,727	650,364
Cost of sales	22	<u>(793,288)</u>	<u>(677,728)</u>
Gross profit / (loss)		39,439	(27,364)
Operating expenses			
Selling and distribution	23	<u>(297)</u>	-
Administrative and general	24	<u>(10,908)</u>	<u>(7,945)</u>
Other operating expenses	25	<u>(2,013)</u>	-
		<u>(13,218)</u>	<u>(7,945)</u>
Operating profit / (loss)		26,221	(35,309)
Other operating income	26	<u>1,251</u>	<u>1,455</u>
		27,472	(33,854)
Finance cost	27	<u>(311)</u>	<u>(23)</u>
Profit / (loss) before taxation		27,161	(33,877)
Taxation	28	<u>(332)</u>	<u>4,025</u>
Profit / (loss) after taxation		<u>26,829</u>	<u>(29,852)</u>
Earnings/(loss) per share - basic (Rupees per share)	29	<u>1.77</u>	<u>(1.97)</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

ASIM TEXTILE MILLS LIMITED
BALANCE SHEET AS AT JUNE 30, 2010

	Note	2010	2009		Note	2010	2009
		(Rupees in thousand)		ASSETS		(Rupees in thousand)	
EQUITY AND LIABILITIES				NON CURRENT ASSETS			
SHARE CAPITAL AND RESERVES				Property, plant and equipment	13	378,870	390,138
Authorized capital				Security deposits	14	7,461	7,461
17,500,000 (2009: 17,500,000) ordinary shares of Rs. 10 each		175,000	175,000			386,331	397,599
Issued, subscribed and paid up capital	5	151,770	151,770				
Accumulated loss		(512,371)	(546,367)				
		(360,601)	(394,597)				
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	6	141,911	149,078				
NON CURRENT LIABILITIES				CURRENT ASSETS			
Long term financing	7	415,047	415,047	Stores and spares	15	3,777	3,599
Deferred liabilities	8	76,396	80,673	Stock in trade	16	37,412	19,566
		491,443	495,720	Trade debts	17	2,636	-
CURRENT LIABILITIES				Advances	18	18,220	8,122
Trade and other payables	9	39,314	32,802	Balance with statutory authorities	19	5,839	4,111
Interest accrued on long term financing	10	194,161	194,161	Cash and bank balances	20	54,557	46,711
Short term borrowing	11	2,544	2,544			122,441	82,100
		236,019	229,507				
CONTINGENCIES AND COMMITMENTS	12	-	-				
		508,772	479,708			508,772	479,708

Auditor's report to the members is annexed hereto.
The annexed notes from 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

ASIM TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees in thousand)	
Net profit / (loss) after taxation	26,829	(29,852)
Other comprehensive income for the year		
Incremental depreciation on surplus on revaluation of property, plant and equipment for the year- Net of tax	7,167	7,544
Total comprehensive income/(loss) for the year-net of tax	<u>33,996</u>	<u>(22,308)</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

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

	2010	2009
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	27,161	(33,877)
Add/(less): Adjustments for non-cash charges and other items		
Depreciation	19,671	20,247
Finance cost	311	23
	19,982	20,270
Profit / (loss) before working capital changes	47,143	(13,607)
Decrease/(Increase) in current assets		
Stores and spares	(183)	847
Stock in trade	(17,845)	71,223
Trade debts	(2,636)	20
Advances	(10,100)	1,439
Balance with statutory authorities	(1,796)	(479)
Increase/(decrease) in current liabilities		
Trade and other payables	6,512	(17,509)
	(26,048)	55,541
Cash generated from operations	21,095	41,934
Less:		
Finance cost paid	(311)	(23)
Income tax paid	(4,117)	(457)
Gratuity paid	(418)	(1,918)
	(4,846)	(2,398)
Net cash generated from operating activities	16,249	39,536
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(8,403)	(7,568)
Security deposits	-	(33)
Net cash used in investing activities	(8,403)	(7,601)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net increase in cash and cash equivalents	7,846	31,935
Cash and cash equivalents at the beginning of the year	46,711	14,776
Cash and cash equivalents at the end of the year	54,557	46,711

The annexed notes from 1 to 35 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

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

	Share Capital	Accumulated Loss	Total
(Rupees in thousand).....		
Balance as at July 01 , 2008	151,770	(524,059)	(372,289)
Total comprehensive loss for the year			
- Net of Tax	-	(22,308)	(22,308)
Balance as at June 30, 2009	151,770	(546,367)	(394,597)
Total comprehensive income for the year			
- Net of Tax	-	33,996	33,996
Balance as at June 30, 2010	151,770	(512,371)	(360,601)

The annexed notes from 1 to 35 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

ASIM TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1. THE COMPANY AND ITS OPERATIONS

1.1 The Company is limited by shares and incorporated in Pakistan under the Companies Ordinance, 1984. Its shares are listed at Karachi, Islamabad and Lahore stock exchanges. The principal business of the Company is manufacturing and sale of yarn. The Mill is located at Tehsil Jaranwala, District Faisalabad in the Province of Punjab and the registered office of the Company is located at J.K House 32-W Susan Road, Faisalabad.

1.2 Going concern assumption

The Company has accumulated loss of Rs. 512.371 million as at June 30, 2010. Its total liabilities exceed its total assets by Rs. 218.690 million and its current liabilities exceed current assets by Rs. 113.578 million as at the balance sheet date. These factors in addition to the factors as described in notes 7.4, 11.1 and 12 of the financial statements raise doubts about the Company being a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.

However, any adjustment relating to the recoverability of recorded assets and liabilities have not been incorporated in these financial statements as the management is also making efforts for improvement in the production, quality and marketing of its products. The management believes that it has sufficient assets and resources to meet its current liabilities including results in profitability during the current year and will continue in the future. Therefore, the management believes that the going concern assumption is valid and these financial statements have been prepared on going concern basis without considering any adjustment relating to the recoverability of recorded assets and settlement of liabilities.

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 (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan 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 Changes in accounting policies and disclosure

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

- IAS-1 - Presentation of Financial Statements (Revised)
- IFRS-7 - Financial Instruments: Disclosure (Amended)
- IAS-23 - Borrowing Cost (Revised)

IAS-1 - Presentation of Financial Statements (Revised)"

The revised IAS-1 was issued in September 2007 and become effective for financial years beginning on or after January 01, 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard has introduced a statement of comprehensive income, which present all items of recognized income and expense, either as a single statement, or in two linked statements.

The Company has preferred to present two linked statements i.e. a profit and loss account and statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements.

IFRS-7 - Financial Instruments: Disclosure (Amended)"

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. The fair value measurement and liquidity risk disclosures are not significantly impacted by the amendments.

IAS-23 - Borrowing Cost (Revised)"

During the year, the company has changed its accounting policy for borrowing cost. In accordance with the revised policy, borrowing costs directly attributable to acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset. Previously, all borrowing costs were charged directly to the profit and loss account. This change has been made to comply with the requirements of IAS 23 (Amended) "Borrowing Costs" which become effective from January 01, 2009. The change in policy has not impacted the financial statements of the company as it does not have any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

2.3 Standards, interpretations and amendments to published approved accounting standards that is effective but not relevant to the Company.

The following standars (revised or amended) and interpretation become effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Company.

- IFRS-2 - Share-based Payments (Amended)
- IFRS-3 - Business Combination (Revised)
- IFRS-4 - Insurance Contracts
- IFRS-8 - Operating segments
- IFRIC-12 - Service concession arrangements
- IFRIC-13 - Customer Loyalty Programmes
- IFRIC-14 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
- IFRIC-15 - Accounting for agreements for the construction of real assets
- IFRIC-16 - Hedge of net investment in a foreign operation
- IFRIC-17 - Distribution on Non cash Assets to Owners
- IFRIC-18 - Transfer of Assets from customers

2.4 Standards, amendments and interpretations to existing standards that are not yet effective Standards or Interpretation.

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

IFRIC-19 - Extinguishing financial liabilities and equity instruments	July 01, 2010
IFRS-2 - Group-cash settled shares based payments	January 01, 2010
IFRS-9 - Financial Instruments	January 01, 2013
IAS-24 - Related party disclosures	January 01, 2011
IAS-32 - Financial Instruments: Presentation - Classification of Rights issue	February 01, 2011

The Company expect that the adoption of the above revision, amendment and interpretations of the standard will not have any material impact on the Company's financial statements in the period of initial application except for the implication of IAS 24 - Related Party Disclosures (Revised), which may effect certain disclosures.

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

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention without any adjustment for the effect of inflation or current values, except certain fixed assets that are stated at revalued amounts.

These preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies, reported amount of assets, liabilities, income and expenses. Estimate, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of the future events. Revision to accounting estimates are recognized and prospectively commencing from the period of revision.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for its employees. Liability is provided annually on the basis of the last drawn gross salary and the length of service of the employee in accordance with the Company's rules. The Company carried out actuarial valuations to determine the present value of the obligation as at June 30, 2007. The following principal assumptions have been used:

During the previous years, the company has seized the Gratuity, and started Provident fund for its permanent employees as discussed in Note 4.2, due to this no actuarial gain / loss has been recognized in these financial statements.

Average expected remaining working life time of employees	14 Years
Actuarial valuation method	Projected Unit Credit Method

4.2 Employment retirement benefits

The company operates a recognized provident fund for all its permanent employees. Equal monthly contributions are made to the fund both by the company and the employees at the rate of 8.3 percent of the basic pay. Obligations for contributions to defined contribution plan is recognized as an expenses in the profit and loss account as and when incurred. Employees are eligible under the scheme on completion of prescribed qualifying period of service.

4.3 Provisions

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

4.4 Trade and other payables

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

4.5 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any, and tax paid on presumptive basis.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets, as required by IAS-12 (Income Taxes), are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

4.6 Foreign currency translation

Assets and liabilities in foreign currency are translated in Pak Rupees at the rates of exchange ruling on the balance sheet date or rate of exchange fixed under contractual agreements. Transactions in foreign currency are translated at the exchange rates prevailing at the date of transaction. All exchange differences are included in the profit and loss account.

4.7 Property, plant and equipment

Property, plant and equipment are stated at cost or revalued amount less accumulated depreciation. Land is stated at revalued amount. Depreciation is charged to income applying the reducing balance method at the rates specified in note 13 to write off the cost / revalued amount of an asset over its estimated useful life. Full month's depreciation is charged on additions, while no depreciation is charged in the month of disposal or deletion.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains or losses on disposal of property, plant and equipment, if any, are shown in profit and loss account. Surplus on revaluation of property, plant and equipment relating to disposal of revalued property, plant and equipment and depreciation related to incremental value arising out of revaluation of property, plant and equipment is charged to retained earnings through statement of changes in equity.

4.8 *Capital work in progress*

All costs / expenditures connected with specific assets are collected under this head until completion of assets. These are transferred to specific assets as and when assets are available for use.

4.9 *Impairment*

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment loss is recognized in the profit and loss account.

4.10 *Stores and spares*

These are valued at lower of moving average cost and net realizable value. Items in transit are valued at cost comprising invoice value plus incidental charges paid thereon.

4.11 *Stock in trade*

These are valued at lower of cost and net realizable value applying the following basis:-

Raw Materials	-	Weighted average cost
Work in process	-	Average manufacturing cost
Finished goods	-	Average manufacturing cost
Wastes	-	Net realizable value

Net realizable value signifies the estimated selling price at which goods in stock could be currently sold less any further costs that would be incurred to complete the sale.

Raw material in transit are valued at cost comprising invoice value plus incidental charges paid thereon.

Cost in relation to work in process and finished goods represents annual average cost which consists of prime cost and appropriate manufacturing overheads.

4.12 *Trade debts*

Trade debts considered irrecoverable are written off and provision is made for debts considered doubtful.

4.13 *Related party transactions*

Transactions with related parties are at arm's length prices under the comparable uncontrolled price method except in circumstances where it is in the interest of the Company not to do so.

4.14 Borrowing cost

Borrowing costs are charged to income as and when incurred except to the extent that cost directly attributable to the acquisition, construction or production of a qualifying asset that are capitalized as part of the cost of asset.

4.15 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, cheques in hand and deposits with banks.

4.16 Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instruments. It ceases to recognize financial assets when it loses control of contractual rights and in case of financial liability when liability is extinguished. Any gain or loss on subsequent remeasurement / derecognizing is charged to income.

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

4.17 Revenue recognition

- Revenue from local sales is recognized on dispatch of goods to customers.
- Export sales are recorded at the time of receipt of bill of lading.
- Profit on bank deposits is recognized on a time proportion basis that takes into account the effective yield on the deposits.

ASIM TEXTILE MILLS LIMITED

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010 (Number of shares)	2009 (Number of shares)	Note	2010 (Rupees in thousand)	2009 (Rupees in thousand)
<u>15,177,000</u>	<u>15,177,000</u>	Ordinary shares of Rs.10 each fully paid in cash	<u>151,770</u>	<u>151,770</u>

**6. SURPLUS ON REVALUATION OF PROPERTY,
PLANT AND EQUIPMENT**

Land - freehold		5,740	5,740
Building on freehold land		14,243	14,993
Plant and machinery		<u>129,095</u>	<u>135,889</u>
		149,078	156,622
Incremental depreciation charged on revalued property, plant and equipment in current year net of deferred taxation transferred to retained earnings			
	(6.2)	<u>(7,167)</u>	<u>(7,544)</u>
		<u>141,911</u>	<u>149,078</u>

6.1 First revaluation of building on freehold land and plant and machinery was carried out as on September 30, 1995 by an independent valuer M/s Iqbal A. Nanjee & Co. Lahore on the basis of depreciated replacement values.

Second revaluation of free hold land, building on freehold land and plant and machinery has been carried out on September 30, 2000 by an independent valuer Inspectorates Corporation International (Pvt) Ltd., Lahore and the same has been verified by SBP's approved auditors on the basis of depreciated replacement values.

6.2 The incremental depreciation charged on revalued assets during the year has been transferred to statement of comprehensive income to record realization of surplus to the extent of incremental depreciation to comply with the amendment in section-235 of the Companies Ordinance, 1984 and further notification of SECP to clarify the treatment of surplus arising on revaluation of property, plant and equipment.

7. LONG TERM FINANCING

Loan from banking company- Secured

Morabaha finance

Morabaha-I		(7.1) 340,902	340,902
Morabaha-II		(7.2) 74,145	74,145
		<u>415,047</u>	<u>415,047</u>

- 7.1 It represents morabaha finance created by Faysal Bank Limited by converting various morabaha finances into long term morabaha-I at an interest rate of 13% per annum.
- 7.2 It represents an interest free morabaha finance by Faysal Bank Limited by converting various unpaid markups into long term non-profit morabaha-II.
- 7.3 The above mentioned morabaha finances are secured against the first charge of Rs. 505 million on fixed assets and personal guarantees of directors and Chief Executive of the Company.
- 7.4 The Company is not repaying the morabaha finances as it has filed a case against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The facts of the litigation are explained in note 12. Accordingly, the current portion of these morabaha finances has not been transferred to current liabilities as the amount of liability and related current portion is dependent on the decision of the case.

	Note	2010	2009
8. DEFERRED LIABILITIES		(Rupees in thousand)	
Deferred tax - net	(8.1)	73,323	77,182
Gratuity payable	(8.2)	3,073	3,491
		76,396	80,673

8.1 Deferred tax- Net

Credit balance arising in respect of surplus on revaluation of fixed assets

	73,323	77,182
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- 8.1.1 Provision for deferred taxation is based on temporary differences arising on surplus on revaluation of property, plant and equipment. The Company being prudent has not accounted for net deferred tax asset on net deductible temporary differences amounting to Rs. 42.347 million (2009: Rs. 43.819 million) comprising accelerated tax depreciation, recognized losses and staff retirement benefits, due to the uncertainty with regard to availability of future taxable profits of the Company against which the unused tax losses and unused tax credits can be utilized.

8.2 Gratuity payable

Company's liability

Opening balance	3,491	5,409
Less:		
Benefits paid during the year	(418)	(1,918)
Closing balance	3,073	3,491

The company has seized the Gratuity in the year 2008, and started Provident fund for its permanent employees as discussed in Note 4.2 , due to this no actuarial gain / loss has been recognized in these financial statements.

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	Note	2010	2009
9. TRADE AND OTHER PAYABLES		(Rupees in thousand)	
Creditors		22,725	19,481
Accrued expenses		7,260	8,410
Income tax deducted at source		245	460
Due to directors	(9.1)	2,432	4,080
Workers' Profit Participation Fund		1,459	-
Workers' Welfare Fund		554	-
Others		4,639	371
		39,314	32,802

9.1 This represents interest free funds obtained from directors to meet working capital requirements. The funds provided are interest free and unsecured and shall be repaid subject to the availability of funds with the Company.

10. INTEREST ACCRUED ON LONG TERM FINANCING

Accrued markup on secured morabaha finance	(10.1)	194,161	194,161
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10.1 The company has ceased the payment of mark up as it has filed a case against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The facts of the litigation are explained in note 12.

11. SHORT TERM BORROWING

Banking company

Interest free bank overdraft - unsecured	(11.1)	2,544	2,544
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11.1 The company has ceased repaying the overdraft as it has filed a case against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The fact of the litigation are explained in note 12.

12. CONTINGENCIES AND COMMITMENTS

12.1 The company has instituted a suit in the Honourable Lahore High Court, Lahore against Faysal Bank Limited claiming damages on account of acquisition of un-remunerative agricultural land on the advice of FIBL for not providing timely cash finance facilities despite written commitments and for charging illegal profits against the principles of Islamic Banking and in contravention of the objective clause of its Memorandum of Association, Articles of Association and against circulars issued by the State Bank of Pakistan. The amount claimed for the first two counts is Rs.141.831 million (including claims of Central Excise Duty) and for the last count has been left for the Court to determine. As per Company's lawyer's opinion the case is based on strong legal grounds and is likely to be decided in Company's favour. If so decided the amount of morabaha finances would decrease by the amount decided by the Court.

12.2 The Faysal Bank Limited has filed a counter suit for the recovery of Rs. 454.502 million in the Honourable Lahore High Court along with the late payment charges which is pending adjudication.

12.3 The company has not acknowledged as debt the sales tax liability of Rs.284,250 for the year ended June 30, 2005 to June 30, 2007 as the appeal is pending adjudication before Sales Tax Appellant Tribunal. The management is confident that the case is based on strong legal grounds and expects favourable outcome.

13 PROPERTY, PLANT AND EQUIPMENT

Note	2010		2009	
	As at June 30,	Rate	As at June 30,	Rate
	378,870	(13.1)	382,839	
	7,299	(13.5)	390,138	
	378,870		378,870	

13.1 Operating fixed assets-tangible

PARTICULARS	COST / REVALUED AMOUNTS		DEPRECIATION		BOOK VALUE	Rate
	As at July 01, 2009	Additions/ transfers during the Year	As at June 30, 2010	For the Year		
Land - freehold	9,802	-	9,802	-	9,802	-
Building on freehold land	52,264	-	52,264	1,669	20,560	31,704
Plant and machinery	514,283	-	514,283	16,587	199,135	315,148
Power generator	-	13,588	13,588	340	340	13,248
Furniture, fixture and office equipment	1,900	105	2,005	1,142	77	786
Vehicles	3,094	1,884	4,978	1,973	381	2,624
Factory equipment	356	-	356	295	6	55
Electric installation	13,298	125	13,423	7,309	611	5,503
Total: 2010	594,997	15,702	610,699	212,158	19,671	378,870

Rupees in thousand

PARTICULARS	COST / REVALUED AMOUNTS		DEPRECIATION		BOOK VALUE	Rate
	As at July 01, 2008	Additions/ transfers during the Year	As at June 30, 2009	For the Year		
Land - freehold	9,802	-	9,802	-	9,802	-
Building on freehold land	52,264	-	52,264	1,756	18,891	33,373
Plant and machinery	514,283	-	514,283	17,460	182,548	331,735
Furniture, fixture and office equipment	1,843	57	1,900	1,060	82	758
Vehicles	3,094	-	3,094	1,693	280	1,121
Factory equipment	356	-	356	288	7	61
Electric installation	13,086	212	13,298	6,647	662	5,989
Total: 2009	594,728	269	594,997	191,911	20,247	382,839

Rupees in thousand

PARTICULARS	COST / REVALUED AMOUNTS		DEPRECIATION		BOOK VALUE	Rate
	As at July 01, 2010	Additions/ transfers during the Year	As at June 30, 2010	For the Year		
Land - freehold	4,062	-	4,062	-	4,062	-
Building on freehold land	40,631	-	40,631	29,743	10,888	10,888
Plant and machinery	362,764	-	362,764	238,922	123,842	123,842
Furniture, fixture and office equipment	1,060	82	1,142	1,142	758	10%
Vehicles	1,693	280	1,973	1,973	1,121	20%
Factory equipment	288	7	295	295	61	10%
Electric installation	6,647	662	7,309	7,309	5,989	10%
Total: 2010	406,217	911	407,128	262,158	19,671	20,247

13.2 Had there been no revaluation, the cost, accumulated depreciation and book values of the revalued assets would have been as follows:

As at June 30, 2010	As at June 30, 2009
Cost	406,217
Accumulated depreciation	262,158
Book value	144,059

Land - freehold	Building on freehold land	Plant and machinery	Land - freehold	Building on freehold land	Plant and machinery
4,062	40,631	362,764	4,062	40,631	362,764
-	29,743	238,922	-	29,743	238,922
-	10,888	123,842	-	10,888	123,842
-	19,885	19,885	-	19,885	19,885
-	362	362	-	362	362
-	19,671	19,671	-	19,671	19,671
-	20,247	20,247	-	20,247	20,247

13.3 The depreciation charged for the year has been allocated as under:-

Note	2010	2009
Cost of sales	(22)	(22)
Administrative and general	458	458
Capital work in progress	7,299	7,299
Opening balance	6,280	6,280
Addition made during the year	13,579	13,579
Capitalized during the year-power generator	(13,579)	(13,579)
13.5.1 This represents cost of civil work and gas generator	-	-
	7,299	7,299

13.4 Disclosure relating to surplus on revaluation of fixed assets is given in note 6 to these financial statements.

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	Note	2010	2009
14. Security deposits		(Rupees in thousand)	
Security deposit (sui gas)	(14.1)	5,175	5,175
Security deposit (wapda)		2,286	2,286
		7,461	7,461
14.1 It represents refundable deposit with Sui Northern Gas Pipeline Limited against the gas connection planned for captive power generation plant and carries markup at the rate of 2% (2009: 2%) per annum.			
15. STORES AND SPARES			
Stores		1,186	1,403
Spares		2,591	2,191
		3,777	3,594
There were no stores and spares held for capitalization as at the balance sheet date.			
16. STOCK IN TRADE			
Raw materials		11,172	2,371
Work in process		4,923	4,661
Finished goods		21,070	12,227
Waste		247	308
		21,317	12,535
		37,412	19,567
17. TRADE DEBTS			
These are unsecured but considered good by the management of the company.			
18. ADVANCES			
Advances - considered good			
Employees-secured		939	939
Suppliers-unsecured		17,218	7,123
Other advances		63	58
		18,220	8,120
19 BALANCE WITH STATUTORY AUTHORITIES			
Income tax		482	556
Sales tax refundable		5,357	3,561
		5,839	4,117
20. CASH AND BANK BALANCES			
Cash in hand		195	195
With banks in:			
Current accounts		243	15,772
<i>PLS accounts:</i>			
Foreign currency	(20.1)	54	29,356
Local currency	(20.1)	54,065	1,388
		54,119	30,744
		54,557	46,711

20.1 Deposit with commercial banks yield profit at the rate of 5% to 11% (2009: 1% to 11%) per annum.

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	Note	2010	2009
21. SALES - net		(Rupees in thousand)	
Local			
Yarn		819,810	643,410
Waste		8,992	7,306
		828,802	650,716
Export- Yarn		4,651	-
		833,453	650,716
Less: Commission to selling agents		(726)	(352)
		832,727	650,364
 22. COST OF SALES			
Raw materials consumed - cotton	(22.1)	304,983	242,252
Raw materials consumed - polyester	(22.2)	299,987	259,212
		604,970	501,464
Salaries, wages and other benefits	(22.3)	54,670	50,004
Stores and spares consumed		14,624	11,747
Packing material consumed		12,094	10,805
Fuel and power		93,366	73,914
Repairs and maintenance		732	427
Insurance		2,058	1,803
Depreciation	(13.3)	19,213	19,885
General expenses		605	676
		802,332	670,725
Inventory effect of work in process			
Opening		4,661	3,340
Closing		(4,923)	(4,661)
		(262)	(1,321)
Cost of goods manufactured		802,070	669,404
Inventory effect of finished goods			
Opening		12,535	20,859
Closing		(21,317)	(12,535)
		(8,782)	8,324
Cost of goods sold		793,288	677,728

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	Note	2010	2009
22.1 Raw materials consumed - Cotton		(Rupees in thousand)	
Opening stock		1,524	58,800
Purchases including direct expenses		310,758	184,976
		<u>312,282</u>	<u>243,776</u>
Closing stock		(7,299)	(1,524)
		<u>304,983</u>	<u>242,252</u>
22.2 Raw material consumed - polyester			
Opening stock		848	7,791
Purchases including direct expenses		303,012	252,269
		<u>303,860</u>	<u>260,060</u>
Closing stock		(3,873)	(848)
		<u>299,987</u>	<u>259,212</u>
22.3 Salaries, wages and other benefits			
Salaries and wages		44,740	42,179
Other benefits		9,930	7,825
		<u>54,670</u>	<u>50,004</u>
23. SELLING AND DISTRIBUTION			
Local freight and octori		29	-
Ocean freight		242	-
General export expenses		4	-
Clearing and forwarding		22	-
		<u>297</u>	<u>-</u>
24. ADMINISTRATIVE AND GENERAL			
Salaries, wages and other benefits	(24.1)	4,703	3,707
Rent, rates and taxes		75	160
Insurance		111	82
Traveling and conveyance		517	1,052
Entertainment		41	39
Vehicle running and maintenance		1,302	824
Communication cost		371	437
Printing and stationery		86	63
Electricity		207	207
Auditors' remuneration	(24.2)	300	300
Legal and professional charges		2,013	461
Fees and subscription		509	157
Advertisement		11	34
Depreciation	(13.3)	458	362
General expenses		204	60
		<u>10,908</u>	<u>7,945</u>

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	Note	2010	2009
24.1 Salaries, wages and other benefits		(Rupees in thousand)	
Salaries and wages		4,292	3,368
Other benefits		411	339
		4,703	3,707
24.2 Auditors' remuneration			
Statutory audit		250	250
Half yearly review		50	50
		300	300
25. OTHER OPERATING EXPENSES			
Workers ' profit participation fund		1,459	-
Workers' welfare fund		554	-
		2,013	-
26. OTHER OPERATING INCOME			
Income from financing assets			
Profit on saving account		1,617	934
Exchange (loss)/gain on foreign account		(439)	521
Exchange gain on export sale		73	-
		1,251	1,455
27. FINANCE COST			
Interest / mark up on long term finance	(27.1)	-	-
Bank charges and commission		311	23
		311	23
27.1	Markup on morabaha finances amounting to Rs. Nil (2009: Rs. 2.594 million) accumulated to Rs. 29.776 million (2009: Rs. 29.776 million) have not been accounted for in these financial statements.		
28. TAXATION			
For the year:			
- Current	(28.1)	4,191	-
- Deferred		(3,859)	(4,062)
		332	(4,062)
Prior years		-	37
		332	(4,025)

28.1 Due to brought forward tax losses, the Company is subject to minimum tax under section 113 of the Income Tax Ordinance, 2001.

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	Note	2010	2009
29. EARNING PER SHARE- Basic and Diluted		(Rupees in thousand)	
Profit / (loss) after taxation		26,829	(29,852)
		Number of shares	
		(In thousand)	
Weighted average number of ordinary share outstanding during the year		15,177	15,177
Earning per share - basic	Rupees	1.77	(1.97)

29.1 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitments that would result in dilution of earning of the Company.

30. CHIEF EXECUTIVE'S, DIRECTORS' AND EXECUTIVES' REMUNERATION

- 30.1 No remuneration has been paid to the chief executive and directors during the year.
- 30.2 No meeting fee has been paid to any director of the Company for attending the board meetings.
- 30.3 Chief Executive is provided with free use of Company maintained car.
- 30.4 Executives are defined as employees with basic salary exceeding Rs. 500,000. No employee of the Company qualifies as an executive in 2010.

31. TRANSACTION WITH RELATED PARTIES

The related parties comprise associated undertakings and other related parties through directorship of close family members of the directors of the Company.

Transactions with related parties undertaken during the year were as follows:-

	Note	2010	2009
Purchases:			
- Electricity (net of sales tax)		-	830
Post employment benefit		3,880	3,036
Repayment to directors - net		1,648	8,478

There were no transactions with key management personnel except those covered under their terms of employment.

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	2010	2009
32. PLANT CAPACITY AND PRODUCTION		
No. of spindles installed	21,312	21,312
No. of spindles worked	21,312	21,312
No. of shifts	3	3
Total shifts worked	1,089	1,053
Capacity after conversation into 20/S count	Kgs 9,533,629	9,218,467
Actual production of yarn after conversation into 20/S count	Kgs 8,735,701	8,677,141

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**33.1 Financial risk factors**

The Company's activities expose it to variety of financial risks namely credit risk, liquidity risk and market risk (including foreign exchange risk and interest rate risk). The Company's overall risk management programmed focuses on having cost effective funding as well as manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

33.2 Financial assets and liabilities by category and their respective maturities

Financial assets and liabilities of the company are as follows:-

(Rupees in thousand)							
June 30, 2010							
Interest/Mark-up bearing			Non-Interest/Non-mark-up bearing				
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total	
Financial assets							
Security deposits	-	5,175	5,175	-	2,286	2,286	7,461
Trade debts	-	-	-	2,636	-	2,636	2,636
Advances	-	-	-	18,220	-	18,220	18,220
Cash and bank balances	54,119	-	54,119	438	-	438	54,557
	54,119	5,175	59,294	21,294	2,286	23,580	82,874
Financial liabilities							
Long term financing	-	340,902	340,902	-	74,145	74,145	415,047
Trade and other payables	-	-	-	39,314	-	39,314	39,314
Interest accrued on long term financing	-	-	-	194,161	-	194,161	194,161
Short term borrowing	-	-	-	2,544	-	2,544	2,544
	-	340,902	340,902	236,019	74,145	310,164	651,066
Excess of financial liabilities over financial assets	54,119	(335,727)	(281,608)	(214,725)	(71,859)	(286,584)	(568,192)
(Rupees in thousand)							
June 30, 2009							
Interest/mark-up bearing			Non Interest/mark-up bearing				
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total	
Financial assets							
Security deposits	-	5,175	5,175	-	2,286	2,286	7,461
Trade debts	-	-	-	-	-	-	-
Advances	-	-	-	8,120	-	8,120	8,120
Cash and bank balances	30,744	-	30,744	15,967	-	15,967	46,711
	30,744	5,175	35,919	24,087	2,286	26,373	62,292
Financial liabilities							
Long term financing	-	340,902	340,902	-	74,145	74,145	415,047
Trade and other payables	-	-	-	32,802	-	32,802	32,802
Interest accrued on long term financing	-	-	-	194,161	-	194,161	194,161
Short term borrowing	-	-	-	2,544	-	2,544	2,544
	-	340,902	340,902	229,507	74,145	303,652	644,554
Excess of financial liabilities over financial assets	30,744	(335,727)	(304,983)	(205,420)	(71,859)	(277,279)	(582,262)

All the financial instruments of the Company are designated as loans and receivables and hence measured at amortized cost.

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

i) Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparts failed to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the financial assets of Rs. 82.874 million (2009: Rs. 62.29 million) the financial assets exposed to the credit risk amount to Rs. 82.679 million (2009: Rs. 62.09 million).

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the debts relates to number of individual customers for whom there is no recent history of default.

The bank balances represent low credit risk as they are placed with banks having good ratings assigned by credit rating agencies.

The other financial assets are neither material to the financial statements nor exposed to any significant credit risk.

The management does not expect any losses from non-performance by these counterparties

ii) Liquidity Risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. Management monitors rolling forecasts of the Company's liquidity reserve which comprises of undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flows.

iii) Market Risk

a) Foreign exchange risk

Foreign currency risk arises mainly where receivables and payables exist due to sale and purchase transactions with foreign undertakings. The Company is not materially exposed to foreign currency risk on its assets and liabilities.

b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is exposed to interest rate risk in respect of long term loans and cash with banks in PLS accounts. Effective interest rates for financial liabilities are mentioned in the respective notes to the accounts.

33.3 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

33.4 Fair value of the financial instruments

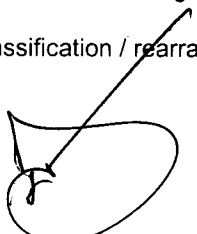
The carrying value of all the financial instruments reflected in the financial statements approximates to their fair values.

34. AUTHORIZATION OF FINANCIAL STATEMENTS

These accounts have been authorized for issue by the Board of Directors of the Company on October 07, 2010.

35. GENERAL

- Figures have been rounded off to the nearest thousand rupees.
- Previous figures have been rearranged, where necessary for the purpose of comparison.
- No significant re-classification / rearrangements made during the year.



CHIEF EXECUTIVE



DIRECTOR