

**INDUS DYEING & MANUFACTURING CO. LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
Sales	26	10,911,595,271	8,470,151,891
Cost of goods sold	27	(8,372,139,999)	(7,336,043,204)
Gross profit		<u>2,539,455,272</u>	<u>1,134,108,687</u>
Other operating income	28	45,258,286	18,527,062
		<u>2,584,713,558</u>	<u>1,152,635,749</u>
Distribution cost	29	(217,634,188)	(191,875,422)
Administrative expenses	30	(104,139,959)	(91,949,973)
Other operating expenses	31	(143,440,267)	(118,853,189)
Finance cost	32	(495,702,381)	(582,171,271)
Share of profit from joint venture - net of tax	15.1	289,919,927	93,029,399
Share of profit from associate - net of tax	15.2	82,919,879	12,877,509
		(588,076,989)	(878,942,947)
Profit before taxation		<u>1,996,636,569</u>	<u>273,692,802</u>
Taxation	33	(138,171,592)	(82,393,017)
<b>Profit for the year</b>		<u><u>1,858,464,977</u></u>	<u><u>191,299,785</u></u>
<b>Earnings per share - basic and diluted</b>	34	<u>102.83</u>	<u>10.58</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.

*Chief Executive Officer*

*Director*

**INDUS DYEING & MANUFACTURING CO. LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<i>Note</i>	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	35	3,019,243,680	717,840,691
Income taxes paid - net		(137,846,745)	(92,834,416)
Finance cost paid		(570,140,848)	(551,521,230)
Gratuity paid		(21,143,338)	(14,096,637)
Net cash generated from operating activities	<b>A</b>	2,290,112,749	59,388,408
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Addition to property, plant and equipment		(163,288,500)	(110,560,700)
Proceeds on disposal of property, plant and equipment		35,079,040	23,946,660
Purchase of other financial assets		(667,339)	(16,772,277)
Proceeds on disposal of other financial assets		25,216,516	6,194,502
Long-term deposits		(3,945,154)	(918,670)
Dividend received		4,586,714	3,189,295
Net cash used in investing activities	<b>B</b>	(103,018,723)	(94,921,190)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financing obtained		82,142,360	150,000,000
Repayment of long-term financing		(856,514,896)	(689,133,731)
Repayment of long-term murabaha finance		(10,000,000)	(15,000,000)
Short term borrowings - net		(525,552,083)	318,759,592
Loans from directors (repaid) / obtained - net		(130,683,728)	138,307,350
Repayment of liabilities against assets subject to finance lease		(3,909,372)	(19,955,129)
Dividend paid		(27,110,596)	(18,073,731)
Net cash used in financing activities	<b>C</b>	(1,471,628,315)	(135,095,649)
Net increase / (decrease) in cash and cash equivalents	<b>(A+B+C)</b>	715,465,711	(170,628,431)
Cash and cash equivalents at beginning of the year		(725,456,353)	(554,827,922)
Cash and cash equivalents at end of the year	36	(9,990,642)	(725,456,353)

The annexed notes from 1 to 45 form an integral part of these financial statements.

*Chief Executive Officer*

*Director*

**INDUS DYEING & MANUFACTURING CO. LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2010**

	2010	2009		2010	2009		
Note	Rupees	Rupees		Rupees	Rupees		
<b>SHARE CAPITAL AND RESERVES</b>			<b>NON CURRENT ASSETS</b>				
Share capital	5	180,737,310	180,737,310	Property, plant and equipment	14	2,918,740,346	3,054,933,553
Reserves	6	3,022,432,090	2,022,432,090	Long term investments	15	1,409,204,000	1,036,114,896
Unappropriated profit		1,107,225,353	273,926,385	Long term deposits	16	5,487,074	1,541,920
		4,310,394,753	2,477,095,785			4,333,431,420	4,092,590,369
<b>NON CURRENT LIABILITIES</b>							
Long-term financing	7	594,850,125	1,263,170,190				
Liabilities against assets subject to finance lease	8	31,797,888	14,529,519				
Deferred liabilities	9	337,056,682	382,206,126				
		963,704,695	1,659,905,835	<b>CURRENT ASSETS</b>			
<b>CURRENT LIABILITIES</b>				Stores, spares and loose tools	17	150,782,045	115,481,145
Trade and other payables	10	439,633,163	256,619,962	Stock-in-trade	18	1,571,943,555	2,215,792,121
Interest / mark-up payable	11	23,153,254	97,591,721	Trade debts	19	721,960,983	515,705,585
Short-term borrowings	12	748,548,801	2,044,876,181	Loans and advances	20	23,337,254	57,910,911
Current portion of:				Trade deposits and short-term prepayments	21	2,862,989	2,687,027
long-term financing	7	403,511,621	582,564,092	Other receivables	22	14,252,860	14,122,172
long-term murabaha finances		-	10,000,000	Other financial assets	23	20,212,409	36,074,154
lease liabilities	8	7,072,389	3,048,590	Tax refunds	24	32,069,444	14,444,415
Taxation - income tax	20.1	44,102,692	-	Cash and bank balances	25	69,268,409	66,894,267
		1,666,021,920	2,994,700,546			2,606,689,948	3,039,111,797
<b>CONTINGENCIES AND COMMITMENTS</b>							
	13	-	-				
		<u>6,940,121,368</u>	<u>7,131,702,166</u>			<u>6,940,121,368</u>	<u>7,131,702,166</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.

Chief Executive Officer

Director

## **NOTICE OF ANNUAL GENERAL MEETING**

### **INDUS DYEING AND MANUFACTURING COMPANY LIMITED.**

Notice is hereby given that the 53<sup>rd</sup> Annual General Meeting of Indus Dyeing & Mfg. Co. Ltd. will be held at **Indus Dyeing & Mfg. Co. Ltd.** Plot No. 3 & 7, Sector No. 25, Korangi Industrial Area, Karachi on Saturday, October 30, 2010 at 2:30 P.M. to transact the following business:

#### **ORDINARY BUSINESS**

1. To confirm the minutes of 52<sup>nd</sup> Annual General Meeting held on October 29, 2010.
2. To receive consider and adopt the Audited Accounts together with the Directors' and Auditors' report for the period ended June 30, 2010.
3. To appoint auditors and fix their remuneration for the year ending 30<sup>th</sup> June 2011. The present auditors M/s Yousuf Adil Saleem & Company Chartered Accountants, retire and being eligible offer themselves for reappointment.
4. To approve **50% Cash Dividend** (i.e. Rs. 5 /- Per Share) as recommended by Board of Directors.

#### **SPECIAL BUSINESS:**

5. To consider and approve enhancement in monthly remuneration of the Chairman, Chief Executive and three Directors namely, Mr. Imran Ahmed, Mr. Naveed Ahmed and Mr. Irfan Ahmed.
6. To transact any other business with the permission of the chair,

#### **BOOK CLOSURE**

The Share Transfer Books of the Company will remain closed from **22 – 10 – 2010** to **28 – 10 – 2010** (both days inclusive) for the entitlement of payout.

**By Order of the Board**

**Karachi**  
**Date; October 07, 2010**

**Ahmed Faheem Niazi**  
**Company Secretary**

## **STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984.**

### **Item 5 of the Agenda**

Due to increase in the cost of living during the years, the enhancement in the monthly remuneration from Rs. 150,000/- per month of Rs. 200,000/- per month of Mian Muhammad Ahmed, Chairman, Mr. Shahzad Ahmed, Chief Executive, Mr. Imran Ahmed, Mr. Naveed Ahmed and Mr. Irfan Ahmed directors of the company is inevitable. The said remuneration is in addition to the Company maintained car; medical expenses; residential utilities, recreational and telephone expenses. Approval on the matter is sought by passing the following resolution:

**Resolved that**, a sum of Rs. 200,000/- per month each be and is hereby approved as a remuneration of Mian Muhammad Ahmed, Chairman, Mr. Shahzad Ahmed, Chief Executive, Mr. Imran Ahmed, Mr. Naveed Ahmed and Mr. Irfan Ahmed Directors of the Company with effect from July 01, 2010 in addition to the Company maintained car, medical expenses, residential utilities, recreational and telephone expenses.

### **Notes:**

1. The Register of Members of the Company will remain closed and no transfer of shares will be accepted for registration from Friday, October 22, 2010 to Thursday, October 28, 2010 (both days inclusive). Transfers received in order at the office of the Shares Registrar:  
  
Corporate Support Services (private) Limited  
407 – 408, Al Ameera Centre,  
Shahrah-e-Iraq, Saddar, Karachi.
  2. A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint a proxy to attend, speak and vote instead of him/her. No person shall act as proxy, who is not a member of the Company except corporate entity may appoint a person who is not a member. Proxy in order to be effective must be duly signed, witnessed and deposited at the office of the share Registrar not less than 48 hours before the meeting.
  3. The shareholders are requested to notify the Company if there is any change in their address.
  4. **CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.**
- A. For Attending the Meeting:**
- i) in case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (New CNIC) or original passport at the time of attending the meeting.
  - ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- B. For Appointing Proxies:**
- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
  - ii) The proxy form shall be witnessed by two persons whose names, addresses and New CNIC number shall be mentioned on the form.
  - iii) Attested copies of New CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iv) The proxy shall produce his/her original New CNIC or original passport at the time of the meeting.
  - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

**STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE  
GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010**

The statement is being presented to comply with the Code of Corporate Governance contained in Regulation 35 (Chapter-XI) of the Listing Regulations of Karachi Stock Exchange (Guarantee) Ltd., for the purpose of establishing a framework of good governance, where by a listed company is managed in compliance with the best practices of corporate governance. The company has applied the principles contained in the Code in the following manner.

- 1) The company encourages the representation of non-executive directors and directors representing the minority interests on its Board of Directors. At present the Board of Directors includes three independent non-executive directors and none representing minority shareholders.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the company.
- 3) All directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI, or being a member of stock exchange, has been declared as a defaulter by that stock exchange.
- 4) There is no casual vacancy occurred during the year.
- 5) The company has prepared a “Statement of Ethics and Business Practices”, which has been signed by the directors and employees of the company.
- 6) The Board has developed a vision / mission statement and overall corporate strategy. The Board also has developed significant policies of the company that will be approved by the board. A complete record of particulars of significant policies along with the dates on which they were approved or amended will be maintained.
- 7) All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.
- 8) The meeting of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board has met at least once in every quarter, written notices of the Board meetings, along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) The Board arranged an orientation course for its directors during the period to apprise them of their duties and responsibilities. The course was arranged in house and its duration was three hours.
- 10) The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO. There was no new appointment during the year.
- 11) The Directors’ report for this period has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the company were duly endorsed by the CEO and CFO before approval of the Board.
- 13) The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholdings.

- 14) The company has complied with all the corporate and financial reporting requirements of the Code.
- 15) The Board has formed an audit committee. It comprises 3 members, all of whom are non-executive directors.
- 16) The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board has set up an effective internal audit function.
- 18) The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- 19) The Statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20) The related party transactions and pricing methods have been placed before the audit committee and approved by the board of directors with necessary justifications for term and pricing method for the transactions that were on term equivalent to those that prevail in the arm's length transactions.
- 21) We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

**Shahzad Ahmad**  
**Chief Executive**

# **INDUS DYEING & MFG. Co. LIMITED**

## **VISION**

To be leading and diversified company, offering a wide range of quality products and service.

## **MISSION**

We aim to provide superior products, Financial security, performance and service quality that fully meet the needs of our customers and maintain the financial strength of the company.



**FORM OF PROXY**

**The Secretary,**  
Indus Dyeing & Manufacturing Co. Ltd.  
Office # 508, 5<sup>th</sup> floor, Beaumont Plaza,  
Beaumont Road, Civil Lines, Quarters,  
Karachi.

I / We -----

of -----

Being a member (s) of **INDUS DYEING & MANUFACTURING COMPANY LIMITED** and holder of

----- do hereby appoint -----

of -----

Address

Who is also a member of **INDUS DYEING & MANUFACTURING COMPANY LIMITED** as my / our proxy to attend and vote for me / us on my / our behalf at the **53<sup>rd</sup> Annual General Meeting** of the Shareholders to be held on 30<sup>th</sup> day of October, 2010. at 2:30 p.m. and at any adjournment thereof.

WITNESS -----

Address -----

-----

Registered Folio No. -----

Signature on
Rs. 5/-
Revenue Stamp

(Signature should agree with the specimen signature registered with the Company).

**Note:** This proxy form, duly completed and signed, together with Board Resolution / Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with our Registrar, M/s. Corporate Support Services (pvt) Ltd. 407-408, Al Ameera Center, Shahrah-e-Iraq Saddar Karachi telephone No. 5662023/24, no later than 48 hours before the time of holding the Meeting.

**INDUS DYEING & MANUFACTURING CO. LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Reserves					Total
	Issued, subscribed and paid up	Capital		Revenue		
	Share premium	Merger reserve <i>(Note 6)</i>	General reserve	Unappropriated profits		
	----- Rupees -----					
<b>Balance at June 30, 2008</b>	180,737,310	10,919,880	11,512,210	1,300,000,000	798,475,848	2,301,645,248
Profit for the year	-	-	-	-	191,299,785	191,299,785
<b>Other comprehensive income</b>						
Share of associate transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax and disposal	-	-	-	-	2,224,483	2,224,483
Total comprehensive income	-	-	-	-	193,524,268	193,524,268
Final cash dividend for the year ended June 30, 2008 @ Re. 1 per share	-	-	-	-	(18,073,731)	(18,073,731)
Transfer to general reserve	-	-	-	700,000,000	(700,000,000)	-
<b>Balance at June 30, 2009</b>	<b>180,737,310</b>	<b>10,919,880</b>	<b>11,512,210</b>	<b>2,000,000,000</b>	<b>273,926,385</b>	<b>2,477,095,785</b>
Profit for the year	-	-	-	-	1,858,464,977	1,858,464,977
<b>Other comprehensive income</b>						
Share of Associates's transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax and disposal	-	-	-	-	1,944,587	1,944,587
Total comprehensive income	-	-	-	-	1,860,409,564	1,860,409,564
Final cash dividend for the year ended June 30, 2009 @ Rs. 1.5 per share	-	-	-	-	(27,110,596)	(27,110,596)
Transfer to general reserve	-	-	-	1,000,000,000	(1,000,000,000)	-
<b>Balance at June 30, 2010</b>	<b>180,737,310</b>	<b>10,919,880</b>	<b>11,512,210</b>	<b>3,000,000,000</b>	<b>1,107,225,353</b>	<b>4,310,394,753</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

*Chief Executive Officer*

*Director*

**INDUS DYEING & MANUFACTURING CO. LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

**1.1** Indus Dyeing & Manufacturing Co. Limited ( the Company) was incorporated in Pakistan on July 23, 1957 as a public company limited by shares under the Companies Act 1913 since repealed and replaced by the Companies Ordinance, 1984. Registered office of the Company is situated at Office No. 508, 5th Floor, Beaumont Plaza, Civil Lines, Karachi. The Company is currently listed on Karachi Stock Exchange. The principal activity of the Company is manufacturing and sale of yarn. The manufacturing facilities of the Company are located in Hyderabad, Karachi and Muzaffargarh. The Company is operating three ginning units including two on leasing arrangements and two ice factories on leasing arrangements in District Multan. The Company has also made investment in a joint venture, Indus Home Limited.

**1.2** These financial statement are presented in Pak Rupees, which is the Company's functional and presentation currency.

**2. STATEMENT OF COMPLIANCE**

**2.1** These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of the IFRS, the requirements of the Companies Ordinance, 1984, and the said directives shall take precedence.

**2.2 Adoption of new International Financial Reporting Standards**

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

**Standards affecting presentation and disclosure**

IAS 1 - Presentation of Financial Statements (Revised)

January 01, 2009

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

Improving Disclosures about Financial Instruments  
(Amendments to IFRS 7 Financial Instruments: Disclosures)

January 01, 2009

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Company has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IFRS 8 - Operating Segments January 01, 2009

IFRS 8 replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company considers itself as a single operating segment company and the Company's performance is evaluated on an overall basis. The adoption of this standard has no impact on the Company's financial statement.

### 2.2.1 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

IFRS 2 - Share-based Payment : Vesting Conditions and Cancellations January 01, 2009

IFRS 3 - Business Combinations (Revised) and IAS 27 - Consolidated and Separate Financial Statements (Amended) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39 July 01, 2009

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations July 01, 2009

IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance January 01, 2009

IAS 23 - Borrowing Costs January 01, 2009

IAS 32- Financial Instruments : Presentation and IAS 1 Puttable Financial Instruments and Obligations arising on Liquidation January 01, 2009

IAS 38 - Intangible Assets January 01, 2009

IAS 39 - Financial Instruments : Recognition and Measurement - Eligible Hedged Items July 01, 2009

IAS 40 - Investment Property January 01, 2009

IFRIC 9 - Remeasurement of Embedded derivatives and IAS 39 Financial Instruments : Recognition and Measurement July 01, 2009

IFRIC 15 - Agreements for the Construction of Real Estate January 01, 2009

IFRIC 17 - Distribution of Non-cash Assets to Owners July 01, 2009

IFRIC 18 - Transfers of Assets from Customers July 01, 2009

### 2.2.2 New accounting standards and interpretations that are not yet effective

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

Amendments to IFRS 2 - Share-based Payment	January 01, 2010
Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 01, 2010
IFRS 9 - Financial Instruments	January 01, 2013
Amendments to IAS 7 - Statement of Cash Flows	January 01, 2010
Amendments to IAS 17 - Leases	January 01, 2010
Amendments to IAS 24 - Related Party Disclosures	January 01, 2010
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

### **3. BASIS OF PREPARATION**

#### **3.1 Accounting conventions**

These financial statements have been prepared under the historical cost convention as modified by:

- recognition of certain employee retirement benefits at present value
- certain financial instruments at fair value
- investment in associate and investment in joint venture under equity method

#### **3.2 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Assumptions and estimates used in the area of property plant and equipment (refer note 14) are significant to the financial statements and it involves management estimates.

Estimates and judgments, if any, are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the financial statements or where judgment was exercised in application of accounting policies are as follows:

##### **i. Post employment benefits**

Assumptions used for calculation of staff gratuity are disclosed in note 8.2

##### **ii. Deferred tax**

Deferred tax calculation has been made based on estimate of ratio of export / local sales and income tax rate for the period in which the deferred tax liability is expected to be settled.

##### **iii. Useful lives and depreciation rates of property, plant and equipment**

As described in 4.4 below, the Company reviews the estimated useful lives and depreciation rates of property, plant and equipment at the end of each balance sheet date. During the financial year, the management determined that the useful life and depreciation rates are same as reported in prior years.

**iv. Classification of investment**

The Company has investments in quoted equity securities of various entities. These are classified as "at fair value through profit or loss" category.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Taxation**

**Current**

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

**Deferred**

Deferred income tax is recognised using balance sheet liability method for all major temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that tax profits and taxable temporary differences will be available against which deductible temporary differences can be utilized. 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 and taxable temporary differences will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. The effect of deferred taxation of the portion of the income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of Institute of Chartered Accountants of Pakistan.

**4.2 Staff retirement benefits**

**Defined benefit plan**

The Company operates an un-funded gratuity scheme for all its permanent employees. Provision is made in accordance with the requirements of International Accounting Standard (IAS)-19 "Employee Benefits". The detail of which have been given in note 9.2 to the financial statements.

**4.3 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 billed to the company or not.

**4.4 Property, plant and equipment**

**4.4.1 Owned**

Property, plant and equipment owned by the Company are stated at cost less accumulated depreciation and impairment loss if any, except freehold and leasehold land. Depreciation is charged to income using the reducing balance method

whereby cost of an asset is written-off over its estimated useful life at the rates specified in the property, plant and equipment note.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

Subsequent costs are included in the asset's carrying amount or recognised 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 repairs and maintenance are charged to income during the year in which they are incurred.

Gains and losses on disposal of assets, if any, are recognized as and when incurred.

Depreciation methods, useful lives and residual values are reviewed periodically and adjusted, if appropriate, at each balance sheet date.

#### **4.4.2 Capital work-in-progress**

Capital work-in-progress (CWIP) is stated at cost. All expenditures connected to the specific assets incurred during the installation and construction period are carried under CWIP. These are transferred to specific assets as and when assets are ready for their intended use.

#### **4.4.3 Assets subject to finance lease**

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, over the term of the relevant lease.

#### **4.5 Impairment**

##### ***Financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

##### ***Non-financial assets***

The company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. Reversal of impairment loss is recognized as income.

#### **4.6 Leases**

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the

liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

#### **4.7 Stores, spares and loose tools**

These are valued on moving average cost method less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

#### **4.8 Stock in trade**

Stock in trade, except in transit which is valued at cost accumulated to the balance sheet date, is valued at lower of cost and net realizable value applying the following basis:

	<b>Basis of valuation</b>
Raw material	Weighted average cost
Packing material	Moving average cost
Work in progress	Weighted average cost of material and share of applicable overheads
Finished goods	Weighted average cost of material and share of applicable overheads
Waste	Net realizable value

Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

#### **4.9 Trade debts and other receivables**

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

#### **4.10 Investments**

##### ***Regular way purchase or sale of investments***

All purchases and sales of investments are recognised using settlement date accounting. Settlement date is the date that the investments are delivered to or by the company.

##### ***Investment in associates***

Associates are all entities over which the Company has significant influence, but not control, generally accompanying a shareholding of 20% or more of the voting rights.

These investments are accounted for using equity method of accounting and initially are recognized at cost. When the Company's share of losses exceeds its interest, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

##### ***Investment in joint venture***

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.



The Company has investment in a joint venture which is a jointly controlled entity. The Company recognises its interest in the joint venture using equity method of accounting and initially are recognised at cost. When the Company's shares of losses exceeds its interest, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments.

#### ***Financial assets at fair value through profit or loss***

These include investments held for trading and those that are designated at fair value through profit or loss at inception. Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. They are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

#### **4.11 Borrowing cost**

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

All other borrowing costs are recognised in profit and loss account in the period in which they are incurred.

#### **4.12 Foreign currency translation**

Transactions in other than Pakistani Rupee are translated into reporting currency at the rates of exchange prevailing on the date of transactions except for those covered by forward contracts, which are translated at contracted rates. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except for those covered by forward contracts, which are stated at contracted rates.

Gains and losses arising on retranslation are included in profit or loss for the period.

#### **4.13 Provisions**

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

#### **4.14 Revenue recognition**

Sales are recorded on dispatch of goods to customers.

Income on bank deposits are recorded on time proportionate basis using effective interest rate.

Dividend income is recorded when the right to receive the dividend is established.

#### **4.17 Financial instruments**

All financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument and derecognised when the Company loses control of the contractual rights that comprise of the financial assets and in case of financial liability when the obligation specified in the contract is discharged cancelled or expired. These 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. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period to which it relates.

#### **4.18 Financial liabilities at fair value through profit or loss**

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are recognized on trade date basis and stated at fair value, with any resultant gain or loss recognized in profit or loss.

#### 4.19 Offsetting of financial assets and financial liabilities

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

#### 4.20 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash, demand drafts in transit and balances with banks on current and deposits accounts.

#### 4.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

### 5. SHARE CAPITAL

<i>2010</i>	<i>2009</i>	<i>Note</i>	<i>2010</i>	<i>2009</i>
<i>----- No. of shares -----</i>			<i>Rupees</i>	<i>Rupees</i>
<u>45,000,000</u>	<u>45,000,000</u>	<i>Authorised</i>		
		Ordinary shares of Rs.10 each	<u>450,000,000</u>	<u>450,000,000</u>
		<i>Issued, subscribed and paid up</i>		
		Ordinary shares of Rs.10 each		
9,637,116	9,637,116	Fully paid in cash	96,371,160	96,371,160
		Other than cash		
		Issued to the		
5,282,097	5,282,097	shareholders of	52,820,970	52,820,970
3,154,518	3,154,518	Issued as bonus shares	31,545,180	31,545,180
<u>18,073,731</u>	<u>18,073,731</u>	5.1	<u>180,737,310</u>	<u>180,737,310</u>

	<i>2010</i>	<i>2009</i>
	<i>Rupees</i>	<i>Rupees</i>
5.1 5,282,097 ordinary shares of Rs. 10 each determined pursuant to the Scheme of Amalgamation with Yousuf Textile Mills Limited (YTML) in accordance with the share-swap ratio as at October 01, 2004.	<u>52,820,970</u>	<u>52,820,970</u>

5.2 There is no movement in issued, subscribed and paid-up capital during the year.

5.3 The Company has only one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All

shares rank equally with regard to the Company's residual assets.

5.4 The Company has no reserved shares for issuance under options and sales contracts.

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>6. RESERVES</b>			
<b>Capital</b>			
Share premium	6.1	10,919,880	10,919,880
Merger reserve	6.2	11,512,210	11,512,210
		22,432,090	22,432,090
<b>Revenue</b>			
General reserve		3,000,000,000	2,000,000,000
		<u>3,022,432,090</u>	<u>2,022,432,090</u>

6.1 Share premium received in year 2001 in respect of the issue of 3,639,960 right shares at a premium of Rs. 3 per share.

6.2 Merger reserve represents excess of (a) assets of YTML over its liabilities merged with the Company and (b) consideration to shareholders of YTML as per the Scheme of Amalgamation approved by honorable High Court of Sindh.

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>7. LONG-TERM FINANCING</b>			
<b>Secured</b>			
From banking companies	7.1 & 7.2	998,361,746	1,772,734,282
Less: Payable within one year shown under current liabilities		(403,511,621)	(582,564,092)
		594,850,125	1,190,170,190
<b>Unsecured</b>			
From directors		-	73,000,000
		<u>594,850,125</u>	<u>1,263,170,190</u>

7.1 The particulars of above long-term loans are as follows:

Type and nature of loan	2010			
	Amount outstanding Rupees	Limit Rupees	Mark up rate per annum	Terms of repayments
Demand finance loans	236,666,664	850,000,000	13.09% to 15.28%	Quarterly and half yearly
Fixed assets finances	5,886,405	102,058,000	9.00% to 14.33%	Half yearly
Term finances	594,547,569	2,388,419,360	9.70% to 15.29%	Quarterly and half yearly

LTF - EOP	161,261,108	354,512,712	5% to 7%	Quarterly and half yearly
	<u>998,361,746</u>	<u>3,694,990,072</u>		

Type and nature of loan	2009			
	Amount outstanding Rupees	Limit Rupees	Mark up rate per annum	Terms of Repayments
Demand finance loans	397,858,908	865,000,000	14.32% to 15.44%	Quarterly and half yearly
Fixed assets finances	11,485,216	150,000,000	11.82% to 15.44%	Half yearly
Term finances	1,169,050,942	2,350,000,000	11.34% to 15.63%	Quarterly and half yearly
LTF - EOP	194,339,216	362,795,255	5% to 7%	Quarterly and half yearly
	<u>1,772,734,282</u>	<u>3,727,795,255</u>		

7.2 The finances are secured by joint pari passu equitable mortgage on land and building and plant and machinery.

## 8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The future minimum lease payments to which the Company is committed as at balance sheet date are as follows:

	2010		2009	
	Minimum lease payments Rupees	Present value Rupees	Minimum lease payments Rupees	Present value Rupees
Within one year	11,536,686	7,072,389	5,311,736	3,048,590
After one year				
but not more than five years	35,511,042	31,797,888	18,241,812	14,529,519
Total minimum lease payments	47,047,728	38,870,277	23,553,548	17,578,109
Less: Amount representing finance charges	(8,177,451)	-	(5,975,439)	-
Present value of minimum lease payments	38,870,277	38,870,277	17,578,109	17,578,109
Less: Current portion	(7,072,389)	(7,072,389)	(3,048,590)	(3,048,590)
	<u>31,797,888</u>	<u>31,797,888</u>	<u>14,529,519</u>	<u>14,529,519</u>

8.1 These represents finance lease arrangements entered into with a financial institutions for plant and machinery. Lease rentals are payable in equal quarterly installments upto January 2015. Interest rates ranging from 13.12% to 16.29% (2009: 6.75% to 17.65%) per annum have been used as discounting factor. The Company intends to exercise the option to purchase the leased assets upon completion of the leased period. Liabilities are secured against demand promissory notes and security deposits.

	<b>2010</b>	<b>2009</b>
<i>Note</i>	<b>Rupees</b>	<b>Rupees</b>

**9. DEFERRED LIABILITIES**

Deferred taxation	9.1	215,420,934	264,753,002
Staff retirement gratuity	9.2	73,876,748	69,694,124
Infrastructure fee	9.3	47,759,000	47,759,000
		<u>337,056,682</u>	<u>382,206,126</u>

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>9.1 Deferred taxation</b>			
Deferred tax liability on taxable temporary differences:			
Accelerated tax depreciation allowance		228,615,752	282,250,766
Leased assets		6,176,606	3,347,193
		<u>234,792,358</u>	<u>285,597,959</u>
Deferred tax assets on deductible temporary differences:			
Provision for staff retirement gratuity		(11,381,829)	(13,120,954)
Liabilities against assets subject to finance lease		(5,988,553)	(3,309,340)
Unrealised exchange loss		(951,967)	(269,202)
Fair value loss on other financial assets		(601,737)	(3,577,684)
Provision for doubtful debts		(293,273)	(379,514)
Provision for slow moving and obsolete stores and spares		(154,065)	(188,265)
		<u>(19,371,424)</u>	<u>(20,844,957)</u>
		<u>215,420,934</u>	<u>264,753,002</u>

## 9.2 Staff retirement gratuity

The Company operates an approved defined benefit gratuity scheme for all permanent employees. Minimum qualifying period for entitlement of gratuity is 6 months continuous service with the Company. The scheme is unfunded and provision is made in accordance with the recommendations of the actuarial valuation of the scheme, which was carried out at June 30, 2009 and the valuation also included the recommendation of the actuarial valuation for the year ended June 30, 2010 which has been incorporated in the financial statements.

The Projected Unit Credit Method based on following significant assumptions was used for the valuation of scheme. The basis of recognition together with details as per actuarial valuation is as under:

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>Defined benefit plan</b>			
<b>(a) Movement in liability</b>			
Opening balance		69,694,124	50,835,795
Charge for the year		25,325,962	32,954,964
Paid during the year		(21,143,338)	(14,096,635)
Closing balance		<u>73,876,748</u>	<u>69,694,124</u>
<b>(b) Reconciliation</b>			
Present value of defined benefit obligation		73,876,748	69,694,124
Unrecognized actuarial loss		-	-
Unrecognized past service cost		-	-
		<u>73,876,748</u>	<u>69,694,124</u>
<b>(c) Charge for the year</b>			
Current service cost		16,962,665	16,046,101
Interest cost		8,363,297	6,100,295
Actuarial loss recognised		-	10,808,568
		<u>25,325,962</u>	<u>32,954,964</u>

	<i>Note</i>	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
<b>(d) Changes in the present value of the defined benefit obligation:</b>			
Opening defined benefit obligation		69,694,124	50,835,795
Current service cost		16,962,665	16,046,101
Interest cost		8,363,297	6,100,295
Benefits paid		(21,143,338)	(14,096,635)
Actuarial loss recognised		-	10,808,568
Closing defined benefit obligation		<u>73,876,748</u>	<u>69,694,124</u>

	<i>2010</i>	<i>2009</i>
The principal assumptions used in the valuation of gratuity are as follows:		
Discount rate	12%	12%
Expected rate of salary increase	11%	11%
Average expected remaining working life of employees	6 years	6 years

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

	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
	----- <i>Rupees</i> -----				
Present value of the defined benefit obligation	<u>73,876,748</u>	<u>69,694,122</u>	<u>50,835,795</u>	<u>44,821,644</u>	<u>29,721,839</u>

**9.3** It represent infrastructure fee / cess payable to Excise and Taxation Officer (ETO) in respect of dues claimed on imported goods under Sindh Finance Ordinance 2001. An amount of Rs 69.32 million (2009: Rs. 49.22 million) in this respect has also been included in trade and other liabilities in note 10. In 2009 the Sindh High Court has passed an order allowing the appeals partly in respect of infrastructure fee / cess payable on goods imported before December 28, 2006 in favour the Company. However the Company has not reversed the provision in respect of the infrastructure fee pertaining to period before December 28, 2006, considering the possible future legal action by the ETO against the order and has classified such provision under non current liabilities.

	<i>Note</i>	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
<b>10. TRADE AND OTHER PAYABLES</b>			
Creditors		73,264,749	47,301,076
Accrued liabilities		153,094,450	127,231,522
Infrastructure fee	9.3	69,317,250	49,215,597
Workers' profit participation fund	10.1	87,173,943	9,046,559
Workers' welfare fund		32,508,146	9,193,739
Advances from customers		3,408,016	6,044,787
Unclaimed dividend		2,723,738	4,622,947
Withholding tax payable		302,991	163,165
Others		17,839,881	3,800,570
		<u>439,633,163</u>	<u>256,619,962</u>

#### **10.1 Workers' profit participation fund**

Balance at beginning of the year	9,046,559	9,399,307
Allocation for the year	87,173,943	9,046,559
Interest charged during the year on the funds utilized by the Company	<u>605,153</u>	<u>785,911</u>
	96,825,655	19,231,777
Payments made during the year	(9,378,097)	(10,185,218)

Balance at end of the year	87,447,558	9,046,559
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	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>11. INTEREST / MARK-UP PAYABLE</b>			
<b>On secured loans from banking companies</b>			
- Long-term financing		16,582,259	39,786,021
- Long-term morabaha finance		-	390,312
- Short-term borrowings		6,570,995	57,415,388
		<u>23,153,254</u>	<u>97,591,721</u>

**12. SHORT-TERM BORROWINGS**

**From banking companies - secured**

Running finances	12.1	79,259,051	792,350,620
Short term loans	12.2	-	894,627,390
Finance against imported merchandise	12.3	647,883,363	290,628,218
Finance against export	12.4	11,820,162	-
	12.5	<u>738,962,576</u>	<u>1,977,606,228</u>

**From related parties - unsecured**

Loan from directors	12.6	9,586,225	67,269,953
		<u>748,548,801</u>	<u>2,044,876,181</u>

**12.1** These are subject to mark-up ranging from 13.60% to 15.76% (2009: 10.45% to 17.67%). These are secured against hypothecation charge over raw material, finished goods, stores and spares, and receivables.

**12.2** These are subject to mark-up ranging from 12.19% to 15.86% (2009: 10.59% to 16.17%). These are secured against hypothecation charge over raw material, finished goods, store and spares and receivables and pari passu.

**12.3** These are subject to mark-up ranging from 1.54 % to 3.28 % (2009: 3.57% to 5.89%). These arrangements are secured against pledge of stock, lien on export documents and letter of credits, and pari passu charge over current assets.

**12.4** These are subject to mark-up ranging from 1.75 % to 2.39 % (2009: 3.57% to 5.89%). These are secured against charge over stocks and book debt.

**12.5** The Company has aggregate short-term borrowing facilities amounting to Rs. 6,012 million (2009: Rs. 6,899 million) from various commercial banks. These are secured against hypothecation charge over raw material, finished goods, stores and spares, and receivables.

**12.6** These are interest free and are payable within one year.

**13. CONTINGENCIES AND COMMITMENTS**

**Contingencies**

Claim of arrears of social security contribution not acknowledged, appeal is pending in Honorable High Court of Sindh. The management is hopeful for favorable outcome.

	<i>2010 Rupees</i>	<i>2009 Rupees</i>
	452,997	452,997

Guarantees issued by banks on behalf of the Company

	<u>147,550,279</u>	<u>127,050,279</u>
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**Commitments**

Letters of credit for raw material and stores and spares

	<u>658,282,324</u>	<u>687,932,670</u>
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Letters of credit for property, plant and equipment

	<u>16,856,164</u>	<u>22,764,000</u>
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Operating lease rentals

4,605,374

4,186,700

#### 14. PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost at July 1, 2009	Additions/ (disposals) during the year	Cost at June 30 2010	Accumulated depreciation at July 1 2009	Depreciation/ (adjustment) for the year	Accumulated depreciation at June 30 2010	Carrying value at June 30 2010	Dep. Rate %
< ----- Rupees ----- >								
<b><i>Owned</i></b>								
Freehold land	14,901,873	-	14,901,873	-	-	-	14,901,873	-
Leasehold land	3,695,797	-	3,695,797	-	-	-	3,695,797	-
Factory building	698,343,100	6,552,823	704,895,923	199,365,589	25,043,600	224,409,189	480,486,734	5%
Non-factory building	106,489,406	384,187	106,873,593	52,195,603	5,438,985	57,634,588	49,239,005	10%
Plant and machinery	4,032,733,849	120,697,425 (33,203,653)	4,120,227,621	1,842,163,120	222,617,204 (6,241,969)	2,058,538,356	2,061,689,265	10%
Electric installations	98,163,181	1,671,900	99,835,081	44,048,988	5,578,609	49,627,597	50,207,484	10%
Power generation	285,726,019	24,306,800 (11,194,256)	298,838,563	111,756,167	19,033,939 (3,980,331)	126,809,775	172,028,788	10%
Office equipment	14,487,068	17,600	14,504,668	10,750,543	375,413	11,125,956	3,378,712	10%
Furniture and fixtures	21,137,407	-	21,137,407	12,252,132	888,528	13,140,660	7,996,747	10%
Vehicles	63,459,834	9,657,765 (4,226,700)	68,890,899	29,777,543	7,530,747 (3,181,227)	34,127,063	34,763,836	20%
Factory equipment	1,576,064	-	1,576,064	1,249,532	65,306	1,314,838	261,226	20%
	5,340,713,598	163,288,500 (48,624,609)	5,455,377,489	2,303,559,217	286,572,331 (13,403,527)	2,576,728,022	2,878,649,467	
<b><i>Leased</i></b>								
Plant and machinery	19,573,400	25,201,540	44,774,940	1,794,228	2,889,834	4,684,062	40,090,878	10%
<b>June 30, 2010</b>	5,360,286,998	188,490,040 (48,624,609)	5,500,152,429	2,305,353,445	289,462,165 (13,403,527)	2,581,412,083	2,918,740,346	

for comparative period

Particulars	Cost at July 1, 2008	Additions/ (disposals) during the year	Cost at June 30 2009	Accumulated depreciation at July 1 2008	Depreciation/ (adjustment) for the year	Accumulated depreciation at June 30 2009	Carrying value at June 30 2009	Dep. Rate %
----- Rupees -----								
<b>Owned</b>								
Freehold land	14,901,873	-	14,901,873	-	-	-	14,901,873	-
Leasehold land	3,682,197	13,600	3,695,797	-	-	-	3,695,797	-
Factory building	693,528,217	4,814,883	698,343,100	173,115,224	26,250,365	199,365,589	498,977,511	5%
Non-factory building	105,911,906	577,500	106,489,406	46,195,041	6,000,562	52,195,603	54,293,803	10%
Plant and machinery	3,923,724,321	64,369,028 (3,359,500) *48,000,000	4,032,733,849	1,595,278,812	239,601,123 (3,164,965) * 10,448,150	1,842,163,120	2,190,570,729	10%
Electric installations	94,479,792	3,683,389	98,163,181	38,101,953	5,947,035	44,048,988	54,114,193	10%
Power generation	231,113,501	24,715,077 (20,370,610) * 50,268,051	285,726,019	78,482,911	17,469,463 - *15,803,793	111,756,167	173,969,852	10%
Office equipment	14,487,068	-	14,487,068	10,335,373	415,170	10,750,543	3,736,525	10%
Furniture and fixtures	21,093,599	43,808	21,137,407	11,264,879	987,253	12,252,132	8,885,275	10%
Vehicles	59,920,951	12,343,415 * (8,804,532)	63,459,834	27,702,830	7,292,101 * (5,217,388)	29,777,543	33,682,291	20%
Factory equipments	1,576,064	-	1,576,064	1,167,887	81,645	1,249,532	326,532	20%
	5,164,419,489	110,560,700 (32,534,642)	5,340,713,598	1,981,644,910	304,044,717 (8,382,353)	2,303,559,217	3,037,154,381	
<b>Leased</b>								
Plant and machinery	98,268,051	19,573,400 * (98,268,051)	19,573,400	22,726,755	5,319,416 * (26,251,943)	1,794,228	17,779,172	10%
<b>June 30, 2009</b>	5,262,687,540	130,134,100 (130,802,693)	5,360,286,998	2,004,371,665	309,364,133 (34,634,296)	2,305,353,445	3,054,933,553	

\* Transferred to own assets upon completion of lease term.

	Note	2010 Rupees	2009 Rupees
<b>14.1 Allocation of depreciation</b>			
Manufacturing expenses	26	281,042,890	301,084,779
Administrative expense	29	8,419,275	8,279,354
		<b>289,462,165</b>	<b>309,364,133</b>

**14.2 Disposals of property, plant and equipment**

	<b>Particulars</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Carrying value</b>	<b>Sale proceed</b>	<b>Gain / (loss)</b>	<b>Sold to</b>	<b>Mode of disposal</b>
				----- <i>Rupees</i> -----				
1	Plant and machinery	26,071,085	-	26,071,085	25,201,540	(869,545)	Standard Chartered Modaraba 4th Floor, Standard Chartered Bank Building I.I. Chundrigar Road, Karachi	Negotiation
2	Plant and machinery	1,000,000	(823,961)	176,039	200,000	23,961	Mr. Lal Mohammad Chot ki Gitti, Hyderabad	Negotiation
3	Plant and machinery	245,416	(232,162)	13,254	35,000	21,746	Mr. Hafeez Godown # 2-A, Shershah Road, Karachi	Negotiation
4	Power Generator	11,194,256	(3,980,331)	7,213,925	7,500,000	286,075	Indus Home Limited 174 Abu Bakar Block, New Garden Town, Lahore	Negotiation
5	Power generator	1,586,612	(1,121,612)	465,000	500,000	35,000	Indus Home Limited 174 Abu Bakar Block, New Garden Town, Lahore	Negotiation
6	Vehicle	2,675,540	(2,548,116)	127,424	140,000	12,576	Mr. Lal Mohammad Chot ki Gitti, Hyderabad	Negotiation
7	Vehicle	1,625,000	(1,516,118)	108,882	130,000	21,118	Mr. Lal Mohammad Chot ki Gitti, Hyderabad	Negotiation
8	Vehicle	1,169,000	(934,569)	234,431	300,000	65,569	Mr. Ghulam Mustafa House # 136, Kisana Mouri Road, Hyderabad	Negotiation
9	Vehicle	849,000	(598,620)	250,380	275,000	24,620	Mr. Shahdab Ahmad 324. Block 15A-4. Shadman. Karachi	Negotiation
10	Vehicle	809,000	(705,168)	103,832	150,000	46,168	Mr. Yousuf Ali 34-A, Latifabad, Hyderabad	Negotiation
11	Vehicle	595,000	(419,527)	175,473	200,000	24,527	Mr. Zahid Basheer Kasim House, Block -3, P/E.C.H.S, Karachi	Negotiation
12	Vehicle	404,000	(179,045)	224,955	350,000	125,045	Adamjee Insurance Company Ltd. 6th Floor, Adamjee Insurance Building, I.I. Chundrigar Road, Karachi.	Insurance claim
13	Vehicle	259,700	(245,244)	14,456	30,000	15,544	Mr. Bilal Shop # 20, Lajpat Road, Hyderabad	Negotiation
14	Vehicle	53,000	(42,121)	10,879	15,000	4,121	Mr. Shahid Karim Shop # 14, Akbar Road, Karachi	Negotiation
15	Vehicle	45,500	(24,460)	21,040	22,500	1,460	Mr. Imdad Ali Near Madina Masjid, New Town, Karachi	Negotiation
16	Vehicle	42,500	(32,473)	10,027	30,000	19,973	Adamjee Insurance Company Ltd. 6th Floor, Adamjee Insurance Building, I.I. Chundrigar Road, Karachi.	Insurance claim
	<b>2010</b>	<b>48,624,609</b>	<b>(13,403,527)</b>	<b>35,221,082</b>	<b>35,079,040</b>	<b>(142,042)</b>		
	<b>2009</b>	<b>32,534,642</b>	<b>(8,382,353)</b>	<b>24,152,289</b>	<b>23,946,660</b>	<b>(205,629)</b>		

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>15. LONG TERM INVESTMENTS</b>			
Investment in a joint venture	15.1	1,165,996,076	876,076,149
Investment in an associate	15.2	243,207,924	160,038,748
		<u>1,409,204,000</u>	<u>1,036,114,896</u>
<b>15.1 Investment in a joint venture - Indus Home Limited</b>			
Cost		749,999,970	749,999,970
Share of post acquisition profits			
Opening		126,076,179	33,046,780
Share of profit for the year		289,919,927	93,029,399
		415,996,106	126,076,179
	15.1.1	<u>1,165,996,076</u>	<u>876,076,149</u>
Number of shares held		74,999,997	74,999,997
Cost of investments (Rupees)		749,999,970	749,999,970
Ownership interest		49.99%	49.99%

Indus Home Limited is a jointly controlled entity which is involved in the manufacturing, export and sale of greige and finished terry towel and other textile products.

	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>15.1.1 The share of assets and liabilities of the jointly controlled entity at June 30 are as follows:</b>		
Current assets	903,224,972	792,557,599
Non-current assets	1,542,593,620	1,515,927,988
	2,445,818,592	2,308,485,587
Current liabilities	(579,622,832)	(631,600,684)
Non-current liabilities	(700,199,685)	(800,808,754)
	<u>1,165,996,075</u>	<u>876,076,149</u>

**15.1.2 Summarized financial highlights of Indus Home Limited as at June 30 are as follows:**

Total assets	4,891,637,380	4,616,971,357
Total liabilities	2,559,645,137	2,864,818,991
Revenue	6,407,983,280	3,918,196,887
Profit for the year	579,839,877	186,058,805

	<i>Note</i>	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
<b>15.2 Investment in an associate</b>			
<i>- Sunrays Textile Mills Limited</i>			
Cost		42,382,250	42,382,250
Share of post acquisition profits			
Opening		117,656,498	102,554,506
Dividend received		(1,695,290)	-
Share of associate's reversal of deferred tax liability on account of incremental depreciation		1,944,587	2,224,483
Share of profit from associate for the year		82,919,879	12,877,509
		<u>200,825,674</u>	<u>117,656,498</u>
	15.2.1	<u>243,207,924</u>	<u>160,038,748</u>
Number of shares held		1,695,290	1,695,290
Cost of investments (Rupees)		42,382,250	42,382,250
Ownership interest		24.57%	24.57%
Market value (Rupees)		56,504,016	37,296,380

**15.2.1** The share of assets and liabilities of the associate at June 30 are as below:

Current assets		204,439,137	224,837,889
Non-current assets		212,756,795	219,680,971
		<u>417,195,932</u>	<u>444,518,860</u>
Current liabilities		128,489,327	210,130,628
Non-current liabilities		45,498,680	74,349,485
		<u>173,988,007</u>	<u>284,480,113</u>
		<u>243,207,925</u>	<u>160,038,747</u>

**15.2.2** Summarized financial highlights as at June 30 of Sunrays Textile Mills Limited are as follows:

Total assets		1,698,029,204	1,809,236,259
Total liabilities		708,148,606	1,157,862,536
Revenue		2,968,381,750	2,197,384,422
Profit for the year		337,492,210	52,412,750

**16. LONG TERM DEPOSITS**

Lease security deposits	16.1	3,498,824	978,670
Others		1,988,250	563,250
		<u>5,487,074</u>	<u>1,541,920</u>

**16.1** It represents interest free refundable deposits paid at inception of lease and are adjustable on maturities of lease

arrangements.

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>17. STORES, SPARES AND LOOSE TOOLS</b>			
Stores, spares and loose tools	17.1	151,782,045	116,481,145
Less: Provision for slow moving and obsolete stock	17.2	(1,000,000)	(1,000,000)
		<u>150,782,045</u>	<u>115,481,145</u>
<b>17.1</b>	It includes stores and spares in transit amounting to Rs. 16,667,745 (2009: Rs 11,021,681)		
<b>17.2 Movement of provision</b>			
Opening balance		1,000,000	-
Charge for the year		-	1,000,000
Closing balance		<u>1,000,000</u>	<u>1,000,000</u>
<b>18. STOCK-IN-TRADE</b>			
Raw material	18.1	1,207,611,238	1,934,512,352
Packing material		26,431,547	22,149,354
Work-in-process		121,320,918	101,265,194
Finished goods		181,387,927	151,008,281
Waste		35,191,925	6,856,940
		<u>1,571,943,555</u>	<u>2,215,792,121</u>
<b>18.1</b>	It includes raw material in transit amounting to Rs. 79,176,282 (2009: Rs. 333,301,227)		
<b>19. TRADE DEBTS</b>			
<i>Considered good</i>			
Foreign debtors - secured		132,312,022	48,554,191
Local debtors - unsecured			
- Associated undertaking		26,696,633	23,841,819
- Others		562,952,328	443,309,575
		<u>589,648,961</u>	<u>467,151,394</u>
		721,960,983	515,705,585
Considered doubtful		1,903,567	2,015,849
		<u>723,864,550</u>	<u>517,721,434</u>
Less: Provision for doubtful debts	19.1	(1,903,567)	(2,015,849)
		<u>721,960,983</u>	<u>515,705,585</u>
<b>19.1 Movement of provision</b>			
Opening balance		2,015,849	3,418,266
Charge for the year		-	2,015,849
Reversal during the year		(82,830)	-
Written off during the year		(29,452)	(3,418,266)

		1,903,567	2,015,849
	<i>Note</i>	<b>2010</b> <i>Rupees</i>	<b>2009</b> <i>Rupees</i>
Closing balance			
<b>20. LOANS AND ADVANCES</b>			
<i>Considered good</i>			
Loans to staff		8,253,809	10,772,228
Advance income tax - net	20.1	-	15,507,872
Advances to			
- Suppliers		5,196,296	22,446,240
- Others		9,887,149	9,184,571
		15,083,445	31,630,811
		23,337,254	57,910,911
<b>20.1 Advance income tax - net</b>			
Advance income tax		143,400,968	92,396,664
Less: Provision for taxation		(187,503,660)	(76,888,792)
		(44,102,692)	15,507,872
<b>21. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
<i>Considered good</i>			
Security deposits		2,043,412	2,049,412
Margin deposits		9,000	412,500
Prepayments		810,577	225,115
		2,862,989	2,687,027
<b>22. OTHER RECEIVABLES</b>			
Cotton claims		9,339,774	3,257,146
Subsidy on markup		3,275,909	10,007,718
Dividend		-	544,309
Others		1,637,177	312,999
		14,252,860	14,122,172
<b>23. OTHER FINANCIAL ASSETS</b>			
Financial assets at fair value through profit and loss			
held for trading - listed equity securities		16,607,195	48,829,606
Unrealised Gain / (loss) on re-measurement at fair value		3,605,214	(12,755,452)
	23.1	20,212,409	36,074,154
Cost of financial assets		24,118,139	52,705,727



	<i>2010</i>	<i>2009</i>		<i>2010</i>	<i>2009</i>
	<i>No. of shares</i>	<i>No. of shares</i>	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
<b>23.1</b>	<b>Market value of other financial assets</b>				
	-	25,500	Bank AL-Habib Limited	-	649,995
	64,999	80,404	Fauji Fertilizer Company Limited	6,699,447	6,991,128
	845,500	772,500	First Habib Modaraba	5,664,850	4,457,325
	-	20,000	Kohinoor Energy Limited	-	580,000
	26,387	26,400	National Bank of Pakistan Oil & Gas Development Company Limited	1,691,407	1,769,592
	-	115,000	Pakistan International Airlines Corporation	-	9,043,600
	100,000	100,000		275,000	332,000
	-	42,250	Pakistan Petroleum Limited Pakistan State Oil Company Limited	-	8,008,064
	10,000	10,000		2,602,000	2,136,500
	60,500	55,000	United Bank Limited	3,279,705	2,105,950
				<b>20,212,409</b>	<b>36,074,154</b>

## 24. TAX REFUNDS

Sales tax refundable	22,115,795	14,444,415
Income tax refundable	9,953,649	-
	<b>32,069,444</b>	<b>14,444,415</b>

## 25. CASH AND BANK BALANCES

With banks			
- in deposit accounts	25.1	22,104,911	18,125,900
- in current accounts		39,411,153	43,360,393
		61,516,064	61,486,293
Cash in hand		7,752,345	5,407,974
		<b>69,268,409</b>	<b>66,894,267</b>

**25.1** This includes term deposit receipts amounting to Rs. 20,862,400 (2009: Rs 18,125,900) kept as lien on account of guarantees provided by the banks for a period of 12 months carrying markup at the rate of 5% to 6% per annum (2009: 6% to 9%) received on quarterly basis.

	<i>Note</i>	<i>2010</i>	<i>2009</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>26. SALES</b>			
Export sales	26.1, 26.2, 26.3	8,287,823,185	4,019,946,727
Less: Commission		(77,703,828)	(59,611,126)
		8,210,119,357	3,960,335,601
Local sales			
Yarn		2,545,134,799	4,408,078,862
Waste		189,525,836	129,325,487
		2,734,660,635	4,537,404,349
Less: Brokerage		(33,184,721)	(27,588,059)
		<b>2,701,475,914</b>	<b>4,509,816,290</b>

10,911,595,271	8,470,151,891
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- 26.1 It includes exchange gain of Rs. 2,079,291 (2009: Rs 37,158,933).
- 26.2 It includes indirect export of Rs. 4,395,439,272 (2009: Rs. 495,868,492)
- 26.3 It includes indirect export to related parties of Rs. 639,500,108 (2009: Rs.512,206,597).

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>27. COST OF GOODS SOLD</b>			
Raw material consumed	27.1	6,771,348,041	5,738,163,249
Manufacturing expenses	27.2	1,656,833,187	1,541,239,454
Outside purchases - yarn		22,729,126	20,803,759
		<u>8,450,910,354</u>	<u>7,300,206,462</u>
Work in process			
- Opening		101,265,194	90,600,549
- (Closing)		(121,320,918)	(101,265,194)
		<u>(20,055,724)</u>	<u>(10,664,645)</u>
Cost of goods manufactured		8,430,854,630	7,289,541,817
Finished goods			
- Opening		157,865,221	204,366,608
- (Closing)		(216,579,852)	(157,865,221)
		<u>(58,714,631)</u>	<u>46,501,387</u>
		<u>8,372,139,999</u>	<u>7,336,043,204</u>

**27.1 Raw material consumed**

Opening stock	1,601,211,125	986,002,196
Purchases	6,298,571,872	6,353,372,178
	<u>7,899,782,997</u>	<u>7,339,374,374</u>
Closing stock	(1,128,434,956)	(1,601,211,125)
	<u>6,771,348,041</u>	<u>5,738,163,249</u>

**27.2 Manufacturing expenses**

Salaries, wages and benefits	27.2.1	454,017,473	400,902,220
Fuel, water and power		550,583,472	512,154,276
Stores and spares consumed		197,416,669	161,347,452
Packing material consumed		140,285,642	137,455,686
Repairs and maintenance		14,740,872	11,928,918
Insurance		10,214,659	7,113,272
Rent, rates and taxes		1,398,555	1,409,838
Depreciation on property, plant and equipment	14.1	281,042,890	301,084,779
Other expenses		7,132,955	7,843,013
		<u>1,656,833,187</u>	<u>1,541,239,454</u>

27.2.1 It includes staff retirement benefits Rs. 22,562,732 (2009: Rs. 31,540,282).

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>28. OTHER OPERATING INCOME</b>			
Gross profit of ice factories	28.1	1,067,874	1,267,098
Gross profit on trading of raw cotton	28.2	16,427,136	7,847,374
Gross profit on trading of stores and spares	28.3	6,299	37,256
Other income	28.4	27,756,977	9,375,334
		<u>45,258,286</u>	<u>18,527,062</u>
<b>28.1 Gross profit of ice factories</b>			
Sales		9,544,540	10,927,377
Cost of goods sold	28.1.1	(8,476,666)	(9,660,279)
		<u>1,067,874</u>	<u>1,267,098</u>
<b>28.1.1 Cost of goods sold</b>			
Salaries, wages and benefits		1,480,554	1,660,125
Electricity		4,964,243	5,109,405
Diesel and lubricants		1,034,002	1,314,485
Repairs and maintenance		403,353	787,431
Lease rentals		260,000	150,000
Salt		31,969	50,029
Ammonia gas		50,305	79,078
Stationery		6,703	5,950
Miscellaneous		245,537	503,776
		<u>8,476,666</u>	<u>9,660,279</u>
<b>28.2 Gross profit on trading of raw cotton</b>			
Sales		289,094,692	58,440,232
Less: Cost of sales		(272,667,556)	(50,592,858)
		<u>16,427,136</u>	<u>7,847,374</u>
<b>28.3 Gross profit on trading of stores and spares</b>			
Sales		124,924	1,277,963
Less: Cost of sales		(118,625)	(1,240,707)
		<u>6,299</u>	<u>37,256</u>

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>28.4 Other income</b>			
Income from assets other than financial assets			
Scrap sale		2,875,411	3,147,614
Storage income		4,126,200	-
Insurance claim		161,350	-
Income from financial assets			
Gain on derivative financial liability		7,923,278	-
Gain on disposal of other financial assets		5,082,219	-
Dividend income		2,347,115	3,733,604
Unrealised gain on other financial assets		3,605,214	-
Profit on fixed deposits		1,553,360	2,494,116
Recovery of doubtful debts		82,830	-
		<u>27,756,977</u>	<u>9,375,334</u>
 <b>29. DISTRIBUTION COST</b>			
Freight and forwarding		202,727,879	174,391,032
Export development surcharge		9,267,772	8,362,512
Advertisement		2,123,537	3,428,080
Insurance		3,515,000	3,000,000
Others		-	2,693,798
		<u>217,634,188</u>	<u>191,875,422</u>
 <b>30. ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits	30.1	42,870,625	34,953,455
Repairs and maintenance		1,214,112	391,992
Postage and telephone		5,631,619	5,372,315
Traveling and conveyance		13,678,566	17,577,680
Vehicles running		5,552,723	5,476,431
Printing and stationery		3,051,860	2,841,815
Rent and electricity		10,359,200	7,721,649
Entertainment		1,373,749	1,085,438
Fees and subscription		2,329,343	895,067
Insurance		2,340,000	2,000,000
Legal and professional		1,390,775	661,819
Charity and donations	30.2	1,123,400	1,069,168
Auditors' remuneration	30.3	1,554,561	1,477,997
Depreciation on property, plant and equipment	14.1	8,419,275	8,279,354
Others		3,250,151	2,145,793
		<u>104,139,959</u>	<u>91,949,973</u>

**30.1** It includes staff retirement benefits Rs. 2,763,228 (2009: Rs.1,414,684).

30.2 None of the directors and their spouses have any interest in the donees fund.

	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
<b>30.3 Auditors' remuneration</b>		
Audit fee	1,000,000	1,000,000
Half year limited review fee	225,000	225,000
Fee for certifications	45,000	45,000
Out of pocket expenses	284,561	207,997
	<u>1,554,561</u>	<u>1,477,997</u>

**31. OTHER OPERATING EXPENSES**

Workers' profit participation fund	87,173,943	9,046,559
Workers' welfare fund	32,508,146	4,098,719
Exchange loss	23,616,137	3,244,073
Loss on derivative financial liability	-	88,765,609
Unrealised loss on other financial assets	-	12,755,452
Loss on disposal of other financial assets	-	737,148
Loss on disposal of property, plant and equipment	142,042	205,629
	<u>143,440,267</u>	<u>118,853,189</u>

**32. FINANCE COST**

Mark-up on:		
- long-term financing including long-term murabaha finance	183,585,790	207,823,036
- liabilities against assets subject to finance lease	2,622,823	3,165,889
- short-term borrowings	243,985,531	303,962,693
Discounting charges on local LC's	54,629,821	55,557,928
Interest on workers' profit participation fund	605,153	785,911
Bank charges and commission	10,273,263	10,875,814
	<u>495,702,381</u>	<u>582,171,271</u>

**33. TAXATION**

Current	187,503,660	74,912,657
Deferred	(49,332,068)	7,480,360
	<u>138,171,592</u>	<u>82,393,017</u>

**33.1 RELATIONSHIP BETWEEN ACCOUNTING PROFIT AND TAX EXPENSE**

Profit before tax	<u>1,996,636,569</u>	<u>273,692,802</u>
Tax calculated at the rate of 35%	698,822,799	95,792,481
Effect of applicability of lower tax rate on certain incomes	(1,398,941)	(1,556,930)
Effect of tax under final tax regime	(590,768,280)	(63,106,444)
Tax liability under final tax regime	79,940,043	43,160,779

Effect of taxable / (deductable) differences	(49,332,068)	7,480,360
Others	915,386	622,772
Tax charge for the year	<u>138,178,939</u>	<u>82,393,017</u>

### 34. EARNINGS PER SHARE - BASIC AND DILUTED

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

		<b>2010</b>	<b>2009</b>
Profit for the year	Rupees	<u>1,858,464,977</u>	<u>191,299,785</u>
Average number of ordinary shares	No. of shares	<u>18,073,731</u>	<u>18,073,731</u>
Earnings per share - Basic and diluted	Rupees	<u>102.83</u>	<u>10.58</u>

<i>Note</i>	<b>2010</b>	<b>2009</b>
	<b>Rupees</b>	<b>Rupees</b>

### 35. CASH GENERATED FROM OPERATIONS

Profit before taxation	1,996,636,569	273,692,802
Adjustments for:		
Depreciation	289,462,165	309,364,133
Provision for gratuity	25,325,962	32,954,964
Provision for doubtful debts	-	2,015,849
Unrealised (gain)/loss on other financial assets	(3,605,214)	12,755,452
(Gain)/loss on disposal of other financial assets	(5,082,219)	737,148
Loss on disposal of property, plant and equipment	142,042	205,629
Dividend income	(2,347,115)	(3,733,604)
Share of profit from associate	(82,919,879)	(12,877,509)
Share of profit from joint venture	(289,919,927)	(93,029,399)
Finance cost	495,702,381	582,171,271
Cash generated before working capital changes	<u>2,423,394,765</u>	<u>522,085,465</u>
Working capital changes:		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(35,300,900)	(16,942,176)
Stock-in-trade	643,848,566	(704,647,954)
Trade debts	(206,255,398)	343,405,360
Loans and advances	19,065,785	16,490,242
Trade deposits and short term prepayments	(175,962)	10,173,902
Other receivables	(8,346,377)	1,034,316
	412,835,714	(350,486,310)
Increase / (decrease) in current liabilities		
Trade and other payables	183,013,201	(35,929,735)
Cash generated from operations	<u>3,019,243,680</u>	<u>135,669,420</u>

### 36. CASH AND CASH EQUIVALENTS

Cash and bank balances	25	69,268,409	66,894,267
Running finance	12	(79,259,051)	(792,350,620)
		<u>(9,990,642)</u>	<u>(725,456,353)</u>

### 37. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTORS

The aggregate amounts charged in the accounts for remuneration, including all benefits to chief executive officer and directors of the company are given below:

Particulars	2010			
	Chief Executive Officer	Directors	Executives	Total
	Rupees	Rupees	Rupees	Rupees
Remuneration	1,080,000	3,240,000	2,318,400	6,638,400
House rent	720,000	2,160,000	1,545,600	4,425,600
Retirement benefits	-	-	-	-
Total	<u>1,800,000</u>	<u>5,400,000</u>	<u>3,864,000</u>	<u>11,064,000</u>
Number of persons	<u>1</u>	<u>5</u>	<u>6</u>	<u>12</u>

Particulars	2009			
	Chief Executive Officer	Directors	Executives	Total
	Rupees	Rupees	Rupees	Rupees
Remuneration	720,000	2,940,000	3,254,400	6,914,400
House rent	480,000	1,780,000	1,084,800	3,344,800
Retirement benefits	-	-	-	-
Total	<u>1,200,000</u>	<u>4,720,000</u>	<u>4,339,200</u>	<u>10,259,200</u>
Number of persons	<u>1</u>	<u>5</u>	<u>11</u>	<u>17</u>

37.1 Company maintained cars and cellular phones are provided to Chief Executive Officer and directors.

37.2 In addition to the above, meeting fee paid to a non-executive director is Rs. 15,000 (2009: 15,000)

### 38. TRANSACTION WITH RELATED PARTIES

The related parties comprise of associated undertaking (Sunrays Textiles Mills Limited), joint venture (Indus Home Limited), Riaz Cotton Factory, Silver Seeds, MB Industries, Gailawala Cotton Company, key management personnel and post employment benefit scheme. The Company in the normal course of business carries out transactions with related parties. Long term and short term loan obtained from directors are disclosed in note 6 and note 12 to the financial statements respectively. Remuneration of key management personnel is disclosed in note 37 to the financial statements and amount due in respect of staff retirement benefits is disclosed in note 9.2. Other significant transactions with related parties are as follows.

Relationship with the Company	Nature of transactions	2010 Rupees	2009 Rupees
Associate	Sale of yarn	9,645,750	16,338,105
	Sale of waste	1,923,750	4,041,272
	Sale of stores and spares	-	480,267

	Purchase of yarn	22,729,126	20,803,759
	Payments made on behalf of associate	28,811,992	14,531,074
	Payments made by the associate on behalf of the Company	28,307,641	11,503,338
<b>Relationship with the Company</b>	<b>Nature of transactions</b>	<b>2010 Rupees</b>	<b>2009 Rupees</b>
Joint Venture	Sale of property, plant and equipment	8,000,000	-
	Sale of yarn	627,930,608	495,868,492
Directors	Long term loan repaid	73,000,000	-
	Long term loan received	-	73,000,000
	Short term loan repaid	57,683,728	-
	Short term loan received	-	65,307,350

### 39. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities, comprise loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has loans, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Company also holds long-term investments, and enters into derivative transactions.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

#### 39.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter party to the financial instrument fails to perform as contracted. Out of the total financial assets of Rs. 2,266.586 million (2009: Rs.1,731.051) million, the financial assets which are subject to credit risk amounted to Rs. 2,126.522 million (2009: Rs. 1,677.089

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

##### *Credit risk related to receivables*

Customer credit risk is managed by business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance.

At June 30, 2010, the company had approximately 137 customers (2009: 108 customers) that owed Rs. 724 million (2009: Rs. 517 million). There were 38 customers (2009: 15 customers) with balances greater than Rs. 5 million accounting for over 81 % (2009: 67 %) of trade debts.

The Company does not hold collateral as security against its local debtors.



### *Credit risk related to financial instruments and cash deposits*

The Company limits its exposure to credit risk by only investing in liquid securities. Credit risk from balances with banks and financial institutions is managed by finance director in accordance with the Company's policy.

### **39.3 Market risk management**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

#### **39.3.1 Interest rate risk management**

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the company's profit for the year ended June 30, 2010 would decrease / increase by Rs. 5.4 million (2009: Rs. 11.9 million). This is mainly attributable to the company's exposure to interest rates on its variable rate borrowings.

#### **39.3.2 Foreign exchange risk management**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Company. This provides an economic hedge without derivatives being entered into and therefore, no application of hedge accounting.

At June 30, 2010, if the Rupee had weakened / strengthened by 5% against the US dollar with all other variables held constant, profit for the year would have been higher / lower by Rs 28 million (2009: Rs 2.4 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency trade debts and import loans. Profit is more sensitive to movement in Rupee / foreign currency exchange rates in 2010 than 2009 because of the increased amount of foreign currency borrowings.

#### **39.3.3 Equity price risk management**

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

At the balance sheet date, the Company have exposure of Rs. 1,166 million (2009: Rs. 876 million) to unlisted equity securities of a joint venture which is held for strategic rather than trading purpose. The company does not actively trade these securities.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 20.2 million. A decrease / increase of 5% on the KSE market index would have an impact of approximately Rs. 0.5 million (2009: Rs. 1.2 million) on the income of the company, depending on whether or not the decline is significant and prolonged.

### 39.4 Determination of fair values

#### *Fair value of financial instruments*

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

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

### 39.5 Financial instruments by category

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

	<i>At equity method Rupees</i>	<i>Loan &amp; advances Rupees</i>	<i>Fair value through P&amp;L Rupees</i>	<i>Total Rupees</i>
<i>Assets as per balance sheet - June 30, 2010</i>				
Long-term investments	1,409,204,000	-	-	1,409,204,000
Trade debts	-	721,960,983	-	721,960,983
Loans and advances	-	23,337,254	-	23,337,254
Trade deposits and short-term prepayments	-	2,862,989	-	2,862,989
Other receivables	-	14,252,860	-	14,252,860
Other financial assets	-	-	20,212,409	20,212,409
Bank balances	-	61,516,064	-	61,516,064
	<u>1,409,204,000</u>	<u>823,930,150</u>	<u>20,212,409</u>	<u>#NAME?</u>

	<i>Financial liabilities measured at amortized cost Rupees</i>	<i>Total Rupees</i>
<i>Liabilities as per balance sheet - June 30, 2010</i>		
Long-term financing	998,361,746	998,361,746
Trade and other payables	439,633,163	439,633,163
Short-term borrowings	748,548,801	748,548,801
Liabilities against assets		

subject to finance lease		38,870,277	38,870,277
Interest / mark-up payable		23,153,254	23,153,254
		<u>2,248,567,241</u>	<u>2,248,567,241</u>

	<i>At equity method Rupees</i>	<i>Loans &amp; advances Rupees</i>	<i>Fair value through P&amp;L Rupees</i>	<i>Total Rupees</i>
<b>Assets as per balance sheet</b>				
<b>- June 30, 2009</b>				
Long term investments	1,036,114,896	-	-	1,036,114,896
Trade debts	-	515,705,585	-	515,705,585
Loans and advances	-	57,910,911	-	57,910,911
Trade deposits and short-term prepayments	-	2,687,027	-	2,687,027
Other receivables	-	14,122,172	-	14,122,172
Other financial assets	-	-	36,074,154	36,074,154
Cash and bank balances	-	61,486,293	-	61,486,293
	<u>1,036,114,896</u>	<u>651,911,988</u>	<u>36,074,154</u>	<u>#NAME?</u>

		<i>Financial liabilities measured at amortized cost Rupees</i>	<i>Total Rupees</i>
<b>Liabilities as per balance sheet</b>			
<b>- June 30, 2009</b>			
Long-term financing		1,845,734,282	1,845,734,282
Trade and other payables		256,619,962	256,619,962
Short-term borrowings		2,044,876,181	2,044,876,181
Liabilities against assets subject to finance lease		17,578,109	17,578,109
Interest / mark-up payable		97,591,721	97,591,721
		<u>4,262,400,255</u>	<u>4,262,400,255</u>

### 39.6 Fair value hierarchy

The fair values of the financial instruments have been analysed in various fair value levels as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Fair value through P&amp;L</i>				
Other financial assets	20,212,409			20,212,409
<b>Total</b>	<u>20,212,409</u>	<u>-</u>	<u>-</u>	<u>20,212,409</u>

#### 40. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at June 30, 2010 and 2009 were as follows:

	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
Total borrowings (note 7 & 12)	1,343,398,926	3,308,046,371
Less: cash and bank balances (note 25)	<u>69,268,409</u>	<u>66,894,267</u>
Net debt	1,274,130,517	3,241,152,104
Total equity	<u>4,310,394,753</u>	<u>2,477,095,785</u>
Total capital	<u>5,584,525,270</u>	<u>5,718,247,889</u>
Gearing ratio	<u>23%</u>	<u>57%</u>

#### 41. CAPACITY AND PRODUCTION

	<i>2010</i>	<i>2009</i>
<i>Spinning units</i>		
Total number of spindles installed	<u>130,224</u>	<u>130,224</u>
Total number of spindles worked per annum (average)	<u>129,255</u>	<u>129,705</u>
Number of shifts worked per day	<u>3</u>	<u>3</u>
Installed capacity of yarn converted into 20 counts based on 365 days (lbs.)	<u>96,948,694</u>	<u>97,733,267</u>
Actual production for the year after conversion into 20 counts (lbs.)	<u>89,301,761</u>	<u>89,647,782</u>
	<i>2010</i>	<i>2009</i>
<i>Ginning units</i>		
Installed capacity to produce cotton bales	<u>151,700</u>	<u>124,700</u>
Actual production of cotton bales	<u>40,379</u>	<u>45,212</u>
Number of shifts	<u>1</u>	<u>2</u>
Capacity attained in (%)	<u>26.62%</u>	<u>36.26%</u>

The reason for shortfall in the production of cotton bales is limited availability of raw cotton in the procurement season.

**42. SEGMENT REPORTING**

The Company considers itself as a single operating segment company and the Company's performance is evaluated on an overall basis. Therefore, no segments are reported.

**42. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

In respect of current year, the directors proposed to pay cash dividend of Rs. 90,368,655 (2009: Rs. 27,110,597) @ Rs. 5.00 (2009: Rs. 1.50) per ordinary share of Rs. 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements. This will be accounted for subsequently in the year of payment.

**43. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorised for issue on October 07, 2010 by the Board of Directors of the Company.

**44. RECLASSIFICATION**

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison.

**45. GENERAL**

Figures have been rounded off to the nearest rupee.

*Chief Executive Officer*

*Director*

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating the names and credit rating of major banks where the Company maintains its bank balances are as follows:

<i>Name of bank</i>	<i>Rating agency</i>	<i>Credit rating</i>	
		<i>Long-term</i>	<i>Short-term</i>
Allied Bank Limited	PACRA	AA	A1+
Habib Bank Limited	JCR-VIS	AA+	A1+
MCB Bank Limited	PACRA	AA+	A1+
Soneri Bank Limited	PACRA	AA-	A1+
United Bank Limited	JCR-VIS	AA+	A1+

### 39.2 Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to effective cash management and planning policy, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note - 12 is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

#### 39.2.1 Liquidity and interest risk table

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

	<b>Less than 3 months</b>	<b>3 months - 1 year</b>	<b>1 - 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<i>----- Rupees -----</i>					
Long-term financing	28,102,451	375,409,170	561,691,588	33,158,537	998,361,746
Long-term murabaha finance	-	-	-	-	-
Liabilities against assets subject to finance lease	-	7,072,389	31,797,888	-	38,870,277
Short-term borrowings	694,780,403	53,768,398	-	-	748,548,801
<b>2010</b>	<b>722,882,854</b>	<b>436,249,957</b>	<b>593,489,476</b>	<b>33,158,537</b>	<b>1,785,780,824</b>
Long-term financing	148,798,340	503,765,752	1,224,692,043	38,569,451	1,915,825,586
Long-term murabaha	5,000,000	5,000,000	-	-	10,000,000
Liabilities against assets subject to finance lease	-	3,048,590	14,529,519	-	17,578,109
Short-term borrowings	1,686,978,010	290,628,218	-	-	1,977,606,228
<b>2009</b>	<b>1,840,776,350</b>	<b>802,442,560</b>	<b>1,239,221,562</b>	<b>38,569,451</b>	<b>3,921,009,923</b>

Effective rates of interest are mentioned in respective notes to the financial statements.