MISSION STATEMENT

The mission of Maqbool Textile Mills Limited is to contribute positively to the Socio-Economic growth of Pakistan through business and industrial pursuits endeavoring to achieve excellence in all spheres of such activity with effective and efficient management.

VISION STATEMENT

Maqbool Textile Mills Limited become a truly Professional Organization, achieve higher quality standards, utilize maximum capacity, capture expansion opportunities and become a least cost operator amongst its competitors.

We will strive to continue as a successful Company, make profit and thus create value for our shareholders without high risk to them, our Customers or employees.

QUALITY AND ENVIRONMENTAL POLICY

Our aim is to achieve the leadership of textile and spinning industry through quality products according to customer satisfaction. We thrive to achieve the above through the following measures:

1) Acquisition of quality raw material.
2) Manufacturing of high quality yarn as per customer satisfaction.
3) Continuous training and guidance to employees regarding quality and environment.
4) Continuous improvement, close watch and control in production process and environment.
5) Follow up of the system, regarding international quality and environmental laws.
6) Control of pollution discharge from industrial process.

COMPANY PROFILE

BOARD OF DIRECTORS	Mian Tanvir Ahmad Sheikh - Chairman / Chief Executive Officer Mrs. Romana Tanvir Sheikh Mian Anis Ahmad Sheikh Mrs. Rameen Anis Sheikh Mian Idrees Ahmad Sheikh Mian Aziz Ahmad Sheikh Mr. Syed Raza Abbas Jaffari - (Rep. NIT)
AUDIT COMMITTEE	Mian Tanvir Ahmad Sheikh - Chairman Mian Idrees Ahmad Sheikh - Member Mian Aziz Ahmad Sheikh - Member
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY	Muhammad Ehsanullah Khan
AUDITORS	M/s. M. Yousuf Adil Saleem & Co Chartered Accountants, Abdali Tower, Abdali Road, Multan.
LEGAL ADVISOR	Sheikh Muhammad Farooq - Advocate 5-Nusrat Road, Multan Cantt.
BANKERS	Habib Bank Limited Bank Al-Habib Limited Allied Bank Limited Habib Metropolitan Bank Limited
REGISTERED OFFICE	24/3, Tufail Road, Multan Cantt.
MILLS	M.M. Road, Chowk Sarwar Shaheed, Distt. Muzaffargarh.
HEAD OFFICE	2-Industrial Estate, Multan.
SHARES REGISTRARS	M/s Hameed Majeed Associates (Pvt.) Ltd. H.M House, 7-Bank Square, Lahore.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of the Company will be held on Saturday the 30th day of October, 2010 at 10:30 A.M. at its Head Office, 2-Industrial Estate, Multan to transact the following business:

1. To confirm the minutes of the 20th Annual General Meeting of the Company held on Saturday the 31st day of October, 2009.
2. To receive, consider and approve the Audited Financial Statements of the Company together with Directors' and Auditors' Report for the year ended 30th June, 2010.
3. To approve the recommendation of the Board of Directors for payment of 22.50% (Rs. 2.25 per Share) Final Cash Dividend out of the profit for the Year Ended 30th June, 2010.
4. To appoint Auditors for the Year 2010-11 till next Annual General Meeting of the Company and to fix their remuneration. The present Auditors Messrs M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment..
5. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-
(Muhammad Ehsanullah Khan)
Company Secretary

Multan
Dated : 08.10.2010

NOTES :

(i) The Share Transfer Book of the Company will remain closed from 23.10.2010 to 30.10.2010 (both dates inclusive).

(ii) Shares transfer received at the Company's Registrars office, M/s Hameed Majeed Associates (Pvt.) Ltd. H.M House, 7-Bank Square, Lahore by the close of business on 22nd October 2010 will be treated in time.

(iii) A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote instead of him / her. A proxy must be a member. Proxies in order to be valid must be received at the Registered / Head Office of the Company not less than 48 hours before the time of meeting.

(iv) Any individual Beneficial Owners of CDC, entitled to attend and vote at this meeting must bring his / her NIC or Passport to prove his / her identity, and in case of proxy must enclose an attested copy of his / her CNIC or passport. Representatives of Corporate members should bring the usual documents required for such purpose.

(v) Members are requested to notify immediately any change in their addresses.

(vi) Members who have not yet submitted attested photocopy of their computerized National Identity Cards (CNIC) to the Company are requested to send the same at the earliest.

DIRECTORS' REPORT

In the name of Allah the Most Beneficent and the Merciful

Dear Shareholders,

Your directors are pleased to present the 21st Annual Report on the affairs of your company along with Audited Financial Statements for the year ended June 30, 2010.

SUMMARIZED FINANCIAL RESULTS

	2010 Rupees	2009 Rupees (Re-Stated)
Sales	2,183,978,491	1,807,314,027
Cost of goods sold	(1,890,570,267)	(1,636,002,604)
Gross profit	**293,408,224**	**171,311,423**
Distribution cost	(43,706,064	(52,471,019)
Administrative Expenses	(34,669,533)	(27,521,917)
Other operating expenses	(8,057,347)	(745,880)
Other Income	6,025,231	8,191,872
Profit from Operations	**213,000,511**	**98,764,469**
Finance cost	(94,510,910)	(115,036,572)
Profit before taxation	**118,489,601**	**16,272,093**
Provision for Taxation	-(29,510,702)	(640,957)
Net Profit / (loss) for the year	**88,978,899**	**(16,913,050)**
Earning per share	**5.30**	**(1.01)**

The salient features of the operations of the Company during the year are summarized below:

* Alhamdulillah, repayments of installments of long term leans of HBL for Rs. 84.366 Million falling due during the period under review have been made timely leaving a total outstanding liability of loans of HBL at Rs. 57.075 Million as on 30.06.2010. Subsequent to the Balance Sheet date, a further amount of Rs. 40.525 Million has also been paid towards installments of Long Term Loan leaving a payable balance of Rs. 16.550 Million to HBL.

* Four sets of RY-5 Ring Spinning Frames (1,728 Spindles) were installed in the mills during the year. Currently the total number of installed spindles in both units is 46,200.

* The Company decided to install a Ginning Unit in its premises at Chowk Sarwar Shaheed. The Capital work in this respect was in progress as on the

Balance Sheet date. The unit comprise of 5-Sets of Sawgin Machines and one Automatic Bailing Press having a ginning capacity of 250 bales per day. We are glad to report that the ginning unit started its operations subsequent to the Balance Sheet date on 22nd September 2010. Own ginning unit of the company will help to obtain a better and contamination free cotton for the mills to produce high quality yarns.

EXPORTS:

The Company made total exports of yarn valuing Rs. 519.061 Million during the year under report as compared to the Exports valuing Rs. 872.243 Million during the previous year. The decrease in export sales was mainly due to the quota restrictions on exports.

DIVIDEND:

To share the profit of the company with the shareholders, your Directors propose distribution of a final cash dividend @ 22.50% (Rs. 2.25 per share) to the shareholders of the Company, out of the profit earned for the year ending 30.06.2010.

ISO 9001:2000 QMS AND ISO 14001:1996 EMS CERTIFICATION:

The Company has successfully maintained its ISO 9001:2000 certification for Quality Management System and the ISO 14001:1996 certification for Environmental Management System.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:

We are pleased to report that the Company is fully complying with the requirements of the Code of Corporate Governance as introduced by the Securities and Exchange Commission of Pakistan. The various statements, as required by the code, are appended with the report.

BOARD MEETINGS:

During the year ended on 30.06.2010 four (4) meeting of the Board of Directors were held. Attendance by each Director is given below:

Director's Name	Meetings Attended
Mian Tanvir Ahmad Sheikh	4
Mrs. Romana Tanvir Sheikh	4
Mian Anis Ahmad Sheikh	4
Mrs. Rameen Anis Sheikh	4
Mian Idrees Ahmad Sheikh	4
Mian Aziz Ahmad Sheikh	4
Mr. Manzoor A. Sheikh (Rep.) NIT	2

Leave of absence was granted to Directors who could not attend the meetings.

RECOVERY OF BALANCE FIRE LOSS OCCURRED IN 2000:

The Winding up Petition filed in the Lahore High Court and the Recovery Suit filed in the

Civil Court, Lahore against Pakistan General Insurance Company Ltd., are pending adjudication in the respective Honorable Courts. The amount recovered if any from the PGI shall be incorporated in the accounts as and when received.

AUDITORS

Your Company's Auditors M/s M.Yousuf Adil Saleem & Co., Chartered Accountants, Multan, retired and being eligible offer themselves for re-appointment for the next year.

PATTERN OF SHAREHOLDING

Pattern of holding of the shares by the Shareholders of the Company as on 30-06-2010 as required under Section 236 (2) (d) of the Companies Ordinance, 1984 is enclosed.

RELATIONS WITH LABOUR AND STAFF

Your Directors are happy to report that relations with labour and staff of the Company remained cordial throughout the year.

ACKNOWLEDGMENT

Your Directors acknowledge the best cooperation as usual enjoyed by your Company from M/s Habib Bank Limited, M/s Bank Al-Habib Limited, M/s Habib Metropolitan Bank Limited and Allied Bank Limited and wish to record their sincere appreciation for the same and hope they will continue their support to us in future. The dedicated hard work of all employees of the company is also acknowledged.

On behalf of the Board of Directors
MIAN TANVIR AHMAD SHEIKH
Sd/
CHAIRMAN

MULTAN:
Dated: 08-10-2010

STATEMENT OF ETHICS AND BUSINESS PRACTICES

INTRODUCTION

Maqbool Textile Mills Limited is committed to all-round excellence in the sphere of business activity. As in the past, we strive to maintain sound ethical, business, and legal standards. Maqbool Textile Mills Limtied affirms to observe all prevailing and applicable laws and regulations of the Country.

CODE OF CONDUCT

Maqbool Textile Mills Limited steadfastly adheres to implement transparent, ethical and professional lines of conduct in all business interfaces with our stakeholders.

EMPLOYEES

Maqbool Textile Mills Limited has a historical track record of outstanding employees management relations. In the past over 21 years, there has never been any incident of employee's management tension. The Company is committed to provide a safe, secure and congenial working environment to all its employees, regardless of rank, caste or creed, thereby maximizing the employees output and the Company's prosperity.

COMMUNITY

Maqbool Textile Mills Limited, observes and pursues good community relations. The Company provides Residence to staff and other employees within the Mills colony premises.

QUALITY ASSURANCE

Maqbool Textile Mills Limited produces highest quality 'Maqbool' Brand (Yarn, 7 Count to 20 Count 100% cotton and 20 to 40 CVC blended yarn) which conform to the high standards and quality. Our product is backed up with twenty one years of yarn manufacturing experience and continuous process of BMR.

ISO CERTIFICATIONS FOR QUALITY MANAGEMENT SYSTEM & ENVIRONMENT MANAGEMENT SYSTEM

Maqbool Textile Mills Ltd., has successfully obtained ISO Certifications for Quality Management System and Environment Management System through the SGS under latest International Standards. Maqbool Textile Mills Limited is an environment friendly Company. These Certifications have added to the prestige and enhanced the image of the Company and it has become compliant to the WTO requirements.

FINANCIAL REPORTING

Our accounting practices and finance policies are guided by prevailing corporate regulations, Companies Ordinance, 1984 and the Code of Corporate Governance. Further, we aim to fully comply with International Accounting Standard (IAS) in the preparation of financial statements. Departure if any from the standards is adequately disclosed.

CONCLUSION

Maqbool Textile Mills Limited, is a Quality Conscious and Environment Friendly Company realizing its Corporate & Social Responsibilities. The Company ensure that this Statement of Ethics and Business Practices is understood and implemented by all concerned in letter and spirit.

PRESENTATION OF FINANCIAL STATEMENTS:
The financial statements, prepared by the Company, fairly present its state of affairs, the results of operations, cash flows, and changes in equity.

BOOKS OF ACCOUNTS:
The Company has maintained proper books of accounts.

ACCOUNTING POLICIES:
Appropriate accounting polices have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS (IAS):
International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

INTERNAL CONTROL SYSTEM:
The system of internal control is sound in design and has been effectively implemented and monitored.

ON GOING CONCERN:
The company's financial position is sound enough to ensure its continuity as an on going concern.

NO OUTSTANDING STATUTORY DUES:
There are no outstanding statutory dues on account of Taxes, Levies and charges except of normal and routine nature;

TRADING IN COMPANY'S SHARES:
No trading in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

DEBT OBLIGATION:
By the Grace of God the Company continues to meet its financial commitments and debt obligations on time.

FINANCIAL HIGHLIGHTS:
Key operating and financial data of last six years is Annex-I.

SIX YEARS KEY OPERATING AND FINANCIAL DATA

	June 30, 2010	June 30, 2009 Restated	June 30, 2008	June 30, 2007 Restated	June 30, 2006	June 30, 2005
BALANCE SHEET						
Authorized Capital	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	100,000,000
Issued, subscribed & Paid Up Capital	168,000,000	168,000,000	168,000,000	168,000,000	84,000,000	84,000,000
Reserves	42,000,000	42,000,000	42,000,000	42,000,000	42,000,000	42,000,000
Un-appropriated (Loss)/Profit	40,367,698	(48,611,200)	(31,698,150)	2,737,423	55,162,071	52,867,035
Total Equity	250,367,698	161,388,800	178,301,850	212,737,423	265,162,071	262,867,035
Surplus on revaluation of Property, plant and equipment	150,268,385	150,268,385	–	–	–	–
Liabilities						
Deferred/Long term	162,755,067	136,862,996	24,382,828	18,871,098	33,527,403	373,734,472
Short Term Liabilities	451,754,360	888,732,517	788,090,084	514,470,020	362,074,574	218,210,966
Total Liabilities	614,509,427	1,025,595,513	992,843,179	798,077,374	697,348,613	591,945,437
Total Equity & Liabilities	1,015,145,510	1,337,252,698	1,171,145,029	1,010,814,797	962,510,684	854,812,473
Fixed Assets						
Owned	692,329,191	718,606,318	593,974,372	621,982,238	628,841,244	580,729,236
Long Term Deposits	4,499,639	3,557,739	3,466,739	3,466,739	3,097,739	2,863,739
Current Assets	318,316,680	614,220,555	572,835,484	384,497,038	329,702,571	248,020,451
Total Assets	1,015,145,510	1,337,252,698	1,171,145,029	1,010,814,797	962,510,684	854,812,473
PROFIT & LOSS ACCOUNT						
Turnover (net)	2,183,978,491	1,807,314,027	1,767,354,296	1,636,937,349	1,420,380,204	753,526,694
Gross Profit	293,408,224	171,311,423	94,774,763	80,737,165	128,112,755	82,339,543
Operating Profit/(Loss)	112,464,370	(24,463,965)	47,241,479	33,737,118	90,475,532	5,470,014
Profit/(Loss) before taxation	118,489,601	(16,272,093)	(25,598,802)	(41,425,911)	30,396,936	40,269,893
Taxation	29,510,702	640,957	8,836,771	8,172,301	7,101,901	8,688,830
Profit/(Loss) for the Year	88,978,899	(16,913,050)	(34,435,573)	(49,598,212)	23,295,035	31,581,063
DISTRIBUTION						
Cash Dividend %	22.50%	NIL	NIL	NIL	NIL	12.50
RATIOS						
Break up vlaue (Rs)	2.384	18.55	10.61	16.26	15.78	15.65
Earning per share (Rs.)	5.30	(1.01)	(2.05)	(2.95)	1.39	3.08
Return on Equity (Rs)	0.36	(0.054)	(0.19)	(0.23)	0.09	0.19
Current Ratio	0.70:1	0.69:1	0.73:1	0.75:1	1.09:1	0.87:1
Debt / Equity Ratio without surplus	0.65	0.84	16:84	22:78	38:62	31:69
Debt / Equity Ratio with surplus	0.406	0.439	–	–	–	–
CAPACITY AND PRODUCTION						
Total No. of Spindles Installed	46,200	44,472	44,472	44,472	39,312	39,312
Unit # 1	18,336	18,672	18,672	18,672	18,672	18,672
Installed Capcity of Yarn- 20/S Count (Kgs)	6,202,118	5,975,052	5,701,816	5,631,549		6,279,620
Production of Yarn- 20/S Count (Kgs)	4,816,825	5,138,171	5,593,893	5,629,186	–	5,433,165
Unit # 2	27,864	25,800	25,800	25,800	20,640	20,640
Standard production of Yarn 40's PC (Kgs) (2009: 30's PC)	3,975,305	6,372,218	6,061,406	5,387,222	4,978,457	–
Actual production of Yarn 40's PC (Kgs) (2009: 30's PC)	3,730,163	5,487,830	5,996,648	5,568,918	5,021,473	–

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

Year Ended June 30, 2010

This statement is being presented by the Board of Directors (the Board) of Maqbool Textile Mills Limited (the Company) to comply with the Code of Corporate Governance (the Code) contained in Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, Regulation No.35 (Chapter XI) of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Regulation No.35 (Chapter XI) of the Listing Regulation of the Islamabad Stock Exchange (Guarantee) Limited of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Board of Directors of the Company comprises of Seven Directors including Chief Executive Officer. The number of Executive Directors on the Board is Five (5).

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a Banking Company, a Development Financial Institution or a Non Banking Financial Institution and none of them is member of any stock exchange.

4. There has been no casual vacancy occurred in the Board during the year.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and key employees of the Company.

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

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

8. All related party transactions have been reviewed and approved by the Board and are carried out on normal / agreed terms and conditions. .

9. The meetings of Board were presided over by the Chairman, and, and the Board met at least once in every quarter. Written notices of the Board meetings were circulated at least seven days before the meetings. Agenda and working papers were also circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. The Directors of the Company have given declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984, the listing regulations, Code of Corporate Governance, Company's Memorandum & Articles of Association and other relevant laws and regulations of Stock Exchanges. The directors are also

encouraged to attend the workshops and seminars on the subject of Corporate Governance.

11. The Board has approved appointment, remuneration and terms and conditions of the employment of the Company Secretary including remuneration as determined by the Chief Executive Officer. There was no new appointment of Chief Financial Officer (CFO), and Head of Internal Audit during the year.

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

13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

14. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.

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

16. The Board has formed an Audit Committee. It comprise of three(3) members, all of them are non-executive directors including the Chairman of the committee.

17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The Board has set up an effective internal audit function headed by the Head of Internal Audit. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.

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

20. 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 guide lines in this regard.

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

For and on behalf of the Board

Sd/-
MIAN TANVIR AHMAD SHEIKH
CHIEF EXECUTIVE OFFICER

Multan: September 30, 2010

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of MAQBOOL TEXTILE MILLS LIMITED (Company) to comply with the Listing Regulation of the Karachi, Lahore and Islamabad Stock Exchange where the Company is listed.

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

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

Further, Listing Regulations of The Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between the transactions carried out on terms equivalent to those that prevail in arm's length transactions and the transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance with the requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Dated: 08.10.2010
Place: Karachi

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants.

AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

(b) in our opinion;

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied, except for the changes as stated in note 2.3 to the financial statements, with which we concur;

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

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

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

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

M. YOUSUF ADIL SALEEM & CO.

Chartered Accountants.

Place: Karachi

Date: 08.10.2010

BALANCE SHEET AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees Restated
NON-CURRENT ASSETS			
Property, plant and equipment	4	691,461,453	718,606,318
Long-term investment	5	867,738	868,086
Long-term deposits		4,499,639	3,557,739
		696,828,830	723,032,143
CURRENT ASSETS			
Stores and spares		12,818,108	10,208,803
Stock-in-trade	6	166,591,771	286,307,461
Trade debts	7	114,659,154	276,955,973
Loans and advances	8	8,422,020	10,426,487
Trade deposits and short-term prepayments	9	555,526	719,992
Tax refunds due from government	10	9,204,721	11,440,349
Advance tax - net of provision		5,029,576	8,014,709
Other receivable	11	541,436	1,941,231
Current portion of long-term investment	5	348	348
Cash and bank balances	12	494,020	8,205,202
		318,316,680	614,220,555
		1,015,145,510	1,337,252,698
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 (2009: 20,000,000) Ordinary shares of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid-up capital	13	168,000,000	168,000,000
General reserve		42,000,000	42,000,000
Accumulated profit / (loss)		40,367,698	(48,611,200)
		250,367,698	161,388,800
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT	14	150,268,385	150,268,385
NON-CURRENT LIABILITIES			
Long term financing	15	128,432,401	119,882,277
Deferred liabilities	16	34,322,666	16,980,719
		162,755,067	136,862,996
CURRENT LIABILITIES			
Trade and other payables	17	151,818,693	154,841,024
Accrued mark-up	18	17,369,113	29,124,896
Short-term borrowings	19	231,116,680	620,400,609
Current portion of long-term financing	15	51,449,874	84,365,988
		451,754,360	888,732,517
CONTINGENCIES AND COMMITMENTS	20	–	–
		1,015,145,510	1,337,252,698

The annexed notes from 1 to 36 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
Mian Tanvir Ahmad Sheikh	Mian Anis Ahmad Sheikh	Muhammad Ehsanullah Khan
Chairman/ Chief Executive Officer	Director	Chief Financial Officer

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees Restated
Sales	21	2,183,978,491	1,807,314,027
Cost of goods sold	22	(1,890,570,267)	(1,636,002,604)
Gross profit		293,408,224	171,311,423
Other operating income	23	6,025,231	8,191,872
		299,433,455	179,503,295
Distribution cost	24	43,706,064	52,471,019
Administrative expenses	25	34,669,533	27,521,917
Other operating expenses	26	8,057,347	745,880
		(86,432,944)	(80,738,816)
Finance cost	27	(94,510,910)	(115,036,572)
Profit / (loss) before taxation		118,489,601	(16,272,093)
Taxation	28	(29,510,702)	(640,957)
Profit / (loss) for the year		88,978,899	(16,913,050)
Other comprehensive income / (loss) for the year - net of tax		–	–
Total comprehensive income / (loss) for the year - net of tax		88,978,899	(16,913,050)
Earnings per share - basic and diluted	29	5.30	(1.01)

The annexed notes from 1 to 36 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
Mian Tanvir Ahmad Sheikh	Mian Anis Ahmad Sheikh	Muhammad Ehsanullah Khan
Chairman/ Chief Executive Officer	Director	Chief Financial Officer

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		118,489,601	(16,272,093)
Adjustments for:			
Depreciation		58,619,078	56,778,275
Provision for gratuity		8,043,034	7,190,097
Finance cost		94,510,910	115,036,572
		161,173,022	179,004,944
Operating cash flows before in working capital changes		279,662,623	162,732,851
(Increase)/decrease in current assets			
Stores and spares		(2,609,305)	2,066,568
Stock-in-trade		119,715,690	(62,599,341)
Trade debts		162,296,819	22,720,089
Loans and advances (excluding advance income tax)		2,004,467	(520,522)
Trade deposits and short term prepayments		164,466	(185,900)
Tax refunds due from government		2,235,628	2,682,533
Other receivable		1,399,795	(1,941,231)
		285,207,560	(37,777,804)
(Decrease) / increase in current liabilities			
Trade and other payables		(3,022,331)	62,345,715
Cash generated from operations		561,847,852	187,300,762
Income tax paid		(11,929,757)	(15,741,693)
Gratuity paid		(5,296,900)	(6,474,800)
Finance cost paid		(106,266,693)	(105,285,463)
		(123,493,350)	(127,501,956)
Net cash generated from operating activities		438,354,502	59,798,806
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(31,474,213)	(3,141,836)
Long term deposits		(941,900)	(91,000)
Redemption of long term investment		348	348
Net cash used in investing activities		(32,415,765)	(31,232,488)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term finances		(24,365,990)	(60,487,990)
Short-term borrowings - net		(389,283,929)	37,382,380
Net cash used in financing activities		(413,649,919)	(23,105,610)
Net (decrease)/increase in cash and cash equivalents		(7,711,182)	5,460,708
Cash and cash equivalents at the beginning of the year		8,205,202	2,744,494
Cash and cash equivalents at the end of the year		494,020	8,205,202

The annexed notes from 1 to 36 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
Mian Tanvir Ahmad Sheikh	Mian Anis Ahmad Sheikh	Muhammad Ehsanullah Khan
Chairman/ Chief Executive Officer	Director	Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Share capital	Revenue reserves		
	Issued, subscribed and paid-up	General reserve	Unappropriated profits / (accumulated loss)	Total
	Rupees			
Balance at June 30, 2008	168,000,000	42,000,000	(31,698,150)	178,301,850
Loss for the year (restated) (note 4)	–	–	(16,913,050)	(16,913,050)
Other comprehensive income for the year - net of tax	–	–	–	–
Total comprehensive loss	–	–	(16,913,050)	(16,913,050)
Balance at June 30, 2009 (restated)	168,000,000	42,000,000	(48,611,200)	161,388,800
Profit for the year	–	–	88,978,899	88,978,899
Other comprehensive income for the year - net of tax	–	–	–	–
Total comprehensive income	–	–	88,978,899	88,978,899
Balance at June 30, 2010	168,000,000	42,000,000	40,367,698	250,367,698

The annexed notes from 1 to 36 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
Mian Tanvir Ahmad Sheikh	Mian Anis Ahmad Sheikh	Muhammad Ehsanullah Khan
Chairman/ Chief Executive Officer	Director	Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1 **GENERAL INFORMATION**

1.1 Maqbool Textile Mills Limited (the Company) was incorporated in Pakistan on December 03, 1989 as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Karachi, Lahore and Islamabad stock exchanges. The registered office of the Company is situated in Multan, Pakistan. The Company is principally engaged in manufacturing and sale of yarn. The Company's manufacturing facilities are located at Muzaffar Garh, Pakistan.

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

2 **SIGNIFICANT ACCOUNTING POLICIES**

2.1 **Statement of compliance**

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

2.2 **Basis of preparation**

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

- revaluation of certain property, plant and equipment
- financial instrument at fair value.

2.3. **Change in accounting policy**

The following standard is effective from accounting periods on or after January 1, 2009 and is applicable to the Company from the current financial year.

2.3.1 **IAS 1 - Presentation of financial statements (Revised)**

IAS 1 (Revised) 'Presentation of financial statements' - 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, and entity may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Company has opted to present the components of profit or loss as part of a single statement of comprehensive income as permitted under revised IAS 1.

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

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

2.4 Other standards and interpretations applicable but not relevant

In addition to the above standard and interpretations there were other accounting standards, interpretations and amendments which became effective during the year. Such standards, interpretations and amendments will not result in significant impact on the Company's financial statements other than improved disclosures and presentations.

2.5 Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Standards or Interpretations	Effective Date (accounting periods beginning on or after)
IFRS 2 - Share-based payments (Amendment)	January 01, 2010
IFRS 5 - Non-current assets held for sale and Discontinued	January 01, 2010
IFRS 8 - Operating Segments (Amendment)	January 01, 2010
IAS 1 - Presentation of Financial Statements (Amendment)	January 01, 2010
IAS 7 - Statement of cash flows (Amendment)	January 01, 2010
IAS 17 - Leases (Amendment)	January 01, 2010
IAS 24 - Related party disclosures (Revised)	January 01, 2010
IAS 32 - Financial Instruments: Presentation (Amendment)	February 01, 2010
IAS 36 - Impairment of assets (Amendment)	January 01, 2010
IAS 39 - Financial Instruments: Recognition and Mesurement	January 01, 2010
IFRIC 14: IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	January 01, 2010

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	January 01, 2010

The Company considers that the above revised standards, amendments to published standards and interpretations to existing standards are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements.

2.6 The principal accounting policies adopted are set out below:

2.6.1 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for all its eligible employees who have completed the minimum qualifying period of service as defined under the respective scheme. The charge for the year is based on actuarial valuation using "Projected Unit Credit Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligation adjusted for unrecognised actuarial gains and losses.

Net cumulative unrecognised actuarial gains and losses at the end of previous year which exceeds 10% of present value of defined obligation are recognized as income or expense over the average expected remaining working lives of the employees.

2.6.2 Foreign currency translation

Transactions in foreign currencies are translated at the rates of exchange prevailing on the dates of transactions. 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 where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used..

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

2.6.3 Taxation

Current

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

Deferred

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

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

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

2.6.4 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at revalued amount. capital work-in-progress is stated at cost.

Depreciation on property, plant and equipment, except freehold land and capital work-in-progress, is charged to profit and loss account applying reducing balance method over the estimated useful lives of the assets at the rates shown in note 4.1 to the financial statements. Depreciation on additions is charged from the month the asset is available for use up to month immediately preceding the date of disposal.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

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

Gain and losses on disposal of property, plant and equipment are taken to profit and loss account as and when incurred.

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

2.6.5 Investments

Held-to-maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus transaction cost and are subsequently carried at amortized cost using effective interest rate method.

Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.6.6 Stores and spares

These are valued at lower of cost and net realizable value determined on moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

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

2.6.7 Stock - in - trade

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

Particulars	Mode of valuation
- Raw material	At weighted average cost.
- Material in transit	At cost accumulated up to balance sheet date.
- Work-in-process	At average manufacturing cost.
- Finished goods	At lower of cost and net realizable value.
- Waste	At net realizable value.

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

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

2.6.8 Trade debts and other receivables

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

2.6.9 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

2.6.10 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business:

- Direct local sales are recorded when significant risks and reward are transferred which coincides with delivery of goods to customers.
- Local sales through agents are booked on intimation from the agents.
- Export sales are recorded on dispatch of goods to customers.
- Profit from investment is recognized on time apportioned basis using effective rate of interest.

2.6.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of the respective assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.6.12 Provisions

Provisions are recognised 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.6.13 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is taken to profit and loss account directly.

2.6.14 Off setting of financial assets and financial liabilities

2.6.15 Impairment

Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss even') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For amounts due from loans and advances to customers carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Held-to-maturity financial investments

An impairment loss in respect of financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

The Company assess at each balance sheet date whether there is any indication that assets except stores and spares and stock-in-trade 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 recognized 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 initial cost of the asset. Reversal of impairment loss is recognized as in income.

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

2.6.16 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 future for goods and services received whether billed to Company or not.

2.6.17 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.

2.6.18 Critical judgments and accounting estimates in applying the accounting policies

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on the ongoing basis. Revisions to accounting estimates are recognized in the period in which estimate is revised if the revision affects only that period, or in the period of revision and future period if the revision affects both current and future periods.

In preparing these financial statements, the significant judgment made by the management in applying accounting policies include:

- useful lives of property, plant and equipment (notes 2.6.4 and 4.1)
- provision for staff retirement benefits (notes 2.6.1 and 16.1)
- provision for taxation (notes 2.6.3 and 28)

3. PRIOR PERIOD ERROR

On October 31, 2009, MEPCO charged to the company an arrear amount of Rs. 33.542 million on account of change in electricity tariff effective September 01, 2008.

Total amount of arrears include Rs. 25.774 million pertaining to financial statements for the year ended June 30, 2009 and the said financial statements have been re-stated incorporating the quantum of liability.

The effects of restatement on financial information is summarized below:

	Effect on June 30, 2009 Rupees
(Increase) in cost of goods sold	(25,774,605)
Decrease in deferred tax expense	3,448,909
Decrease in profit	(22,325,696)
(Increase) in trade and other payables	(25,774,605)
Decrease in deferred tax liability	3,448,909
(Decrease) in equity	(22,325,696)

The earliest comparative period balance sheet as at June 30, 2008 has not been reproduced in the financial statements as the error relates only to prior year and does not have any effect on earlier periods.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2010 Rupees	2009 Rupees
Operating assets	4.1	687,581,179	716,756,532
Capital work-in-progress	4.4	3,880,274	1,849,786
		691,461,453	718,606,318

4.1 Operating assets

PARTICULARS	Cost at July 01, 2009	Additions	Revaluation	Cost/Revaluation at June 30, 2010
	RUPEES			
Freehold land	157,522,500	–	–	157,522,500
Buildings on freehold land	166,469,313	12,000	–	166,481,313
Plant and machinery	805,906,354	24,154,853	–	830,061,207
Generator	10,384,768	52,287	–	10,437,055
Electric fittings and installations	44,764,536	1,736,058	–	46,500,594
Tools and equipment	211,631	–	–	211,631
Office equipment	2,662,532	623,700	–	3,286,232
Telephone installations	1,077,072	60,400	–	1,137,472
Furniture and fittings	3,752,944	715,150	–	4,468,094
Arms and ammunitions	14,095	–	–	14,095
Weighing scales	1,599,469	6,000	–	1,605,469
Tubewell	761,687	–	–	761,687
Fire extinguishing equipment	1,100,387	–	–	1,100,387
Vehicles	9,594,811	2,083,277	–	11,678,088
June 30, 2010	**1,205,822,099**	**29,443,725**	–	**1,235,265,824**

PARTICULARS	Cost at July 01, 2008	Additions	Revaluation	Cost / Revaluation at June 30, 2009
	RUPEES			
Freehold land	7,254,115	–	150,268,385	157,522,500
Buildings on freehold land	121,096,055	45,373,258	–	166,469,313
Plant and machinery	773,061,230	32,845,124	–	805,906,354
Generator	9,499,928	884,840	–	10,384,768
Electric fittings and installations	43,532,576	1,231,960	–	44,764,536
Tools and equipment	145,631	66,000	–	211,631
Office equipment	2,293,087	369,445	–	2,662,532
Telephone installations	1,017,822	59,250	–	1,077,072
Furniture and fittings	3,463,436	289,508	–	3,752,944
Arms and ammunitions	14,095	–	–	14,095
Weighing scales	1,599,469	–	–	1,599,469
Tubewell	761,687	–	–	761,687
Fire extinguishing equipment	1,100,387	–	–	1,100,387
Vehicles	9,104,811	490,000	–	9,594,811
June 30, 2009	**973,944,329**	**81,609,385**	**150,268,385**	**1,205,822,099**

Accumulated depreciation at July 1, 2009	Depreciation for the year	Accumulated depreciation at June 30, 2010	Written down value at June 30, 2010	Rate %
RUPEES				
–	–	–	157,522,500	–
62,149,371	10,432,594	72,581,965	93,899,348	10
384,400,928	43,054,126	427,455,054	402,606,153	10
7,169,389	323,717	7,493,106	2,943,949	10
24,026,070	3,256,103	27,282,173	19,218,421	15
126,582	8,505	135,087	76,544	10
1,135,330	186,501	1,321,831	1,964,401	10
529,918	57,013	586,931	550,541	10
1,977,822	200,692	2,178,514	2,289,580	10
11,545	255	11,800	2,295	10
824,470	77,750	902,220	703,249	10
389,741	37,195	426,936	334,751	10
472,660	62,773	535,433	564,954	10
5,851,741	921,854	6,773,595	4,904,493	20
489,065,567	**58,619,078**	**547,684,645**	**687,581,179**	

Accumulated depreciation at July 1, 2008	Depreciation for the year	Accumulated depreciation at June 30, 2009	Written down value at June 30, 2009	Rate %
RUPEES				
–	–	–	157,522,500	–
55,165,357	6,984,014	62,149,371	104,319,942	10
339,903,928	44,497,000	384,400,928	421,505,426	10
6,882,958	286,431	7,169,389	3,215,379	10
20,435,971	3,590,099	24,026,070	20,738,466	15
118,662	7,920	126,582	85,049	10
996,131	139,199	1,135,330	1,527,202	10
473,771	56,147	529,918	547,154	10
1,801,718	176,104	1,977,822	1,775,122	10
11,262	283	11,545	2,550	10
738,359	86,111	824,470	774,999	10
348,414	41,327	389,741	371,946	10
402,913	69,747	472,660	627,727	10
5,007,848	843,893	5,851,741	3,743,070	20
432,287,292	**56,778,275**	**489,065,567**	**716,756,532**	

4.2 Depreciation for the year has been allocated as under:

	Note	**2010 Rupees**	2009 Rupees
Cost of goods sold	22	57,252,762	55,701,848
Administrative expenses	25	1,366,316	1,076,427
		58,619,078	56,778,275

4.3 Revaluation of land had been carried out on March 18, 2009 by independent valuer M/s Consultancy Support and Services (Private) Limited on the basis of depreciated replacement value. Had there been no revaluation, the related figures of freehold land at June 30, 2010 would have been as follows:

Cost	Accumulated Depreciation	Written down value
	Rupees	
7,254,115	-	7,254,115

4.4 Capital work-in-progress

	Note	**2010 Rupees**	2009 Rupees
Plant and machinery		3,880,274	1,849,786
		3,880,274	1,849,786

5. LONG-TERM INVESTMENTS
Held-to-maturity

	Note	2010	2009
Term finance certificates	5.1	868,086	868,434
Less: Current maturity		(348)	(348)
		867,738	868,086

5.1 These Term Finance Certificates (TFCs) are issued by Bank Al-Habib Ltd. on August 05, 2004 having final maturity date of July 15, 2012. These carried mark up at the rate 6 Month KIBOR+1.5% per annum. The market value of TFCs as at June 30, 2010 was Rs. 868,086 (2009: Rs. 868,434).

6. STOCK-IN-TRADE

	Note	2010 Rupees	2009 Rupees
Raw materials		73,749,786	209,817,786
Work-in-process		21,160,985	21,973,909
Finished goods			
- Yarn		69,984,000	48,432,019
- Waste		1,697,000	6,083,747
		71,681,000	54,515,766
		166,591,771	286,307,461

7. TRADE DEBTS - Considered good

Foreign - secured against export bills	34,008,415	230,770,176
Local - unsecured	80,650,739	46,185,797
	114,659,154	276,955,973

7.1 Trade receivables are non-interst bearing and are generally on 15 to 25 day terms.

7.2 Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable, where appropriate.

7.3 Trade debts include debtors with a carrying amount of Rs. 2.399 million (2009: Rs. 0.239 million) which are past due at the reporting date but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable.

7.3.1 Aging of amounts past due but not impaired

90 - 120 days	1,803,982	150,343
120 days and above	595,629	89,210
	2,399,611	239,553

8. LOANS AND ADVANCES

	Note	2010	2009
Advance to employees - considered good		1,723,869	1,371,408
Advances to suppliers - considered good		5,824,130	6,767,058
Corporate assets tax paid under protest	28.5	-	1,440,000
Minimum tax deposited under protest	28.4	848,021	848,021
Due from associated undertaking	8.1	26,000	-
		8,422,020	10,426,487

8.1 Due from associated undertakings

Mehmooda Maqbool Mills Limited	26,000	-

9. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2010 Rupees	2009 Rupees
Electricity charges paid under protest	20.1	219,606	219,606
Short-term repayments		335,920	500,386
		555,526	719,992

10. TAX REFUNDS DUE FROM GOVERNMENT

Sales tax refundable		9,204,721	11,440,349

11. OTHER RECEIVABLE

Subsidy receivable from State Bank of Pakistan (SBP)	11.1	541,436	1,941,231

11.1 This represents subsidy receivable at the rate of 3% of markup on long-term loans for spinning sector as per SBP Circular No. 4 dated March 22, 2010. During the current year, the Company has claimed subsidiary of Rs. 1.8 million (2009: Rs. 7.6 million) out of which Rs. 1.23 million (2009: Rs. 5.7 million)has been received.

12. CASH AND BANK BALANCES

Cash in hand		183,297	252,907
Cash at banks - current accounts		310,723	7,952,295
		494,020	8,205,202

13. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

13.1 There were no movements during the reporting year.

13.2 The Company has one class of ordinary shares which carry no right to fixed income. The share 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 share rank equally with regard to the Company's residual assets.

14. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Surplus on revaluation as at July 01		150,268,385	–
Revaluation surplus during the year		–	150,268,385
		150,268,385	150,268,385

15. LONG-TERM FINANCING

From banking companies - secured

	Note	2010 Rupees	2009 Rupees
Demand Finance - I	15.1	35,492,064	106,477,176
Demand Finance - II	15.2	15,435,964	23,153,952
LTF-EOP - I	15.3	1,174,933	3,522,933
LTF-EOP - II	15.4	4,972,330	8,287,220
Term Finance	15.5	60,000,000	–
		117,075,291	141,441,281
From related parties - unsecured	15.7	62,806,984	62,806,984
		179,882,275	204,248,265
Less: current portion		(51,449,874)	(84,365,988)
		128,432,401	119,882,277

15.1 The facility has been obtained against total limit of Rs. 330 million for installation of spinning unit-II and BMR of spinning unit I. On June 2006, an amount of Rs. 9.393 million has been converted into Long Term Finance for Export Oriented Projects.

It is secured against first equitable mortgage charge on present and future fixed assets of the company and personal guarantees of certain directors of the Company. It carries mark up at the rate of 6 month KIBOR+1% (2009: 6 month KIBOR + 1%). It is repayable in 9 half yearly equal installments ending on July 02, 2010 with a grace period of one year from the date of disbursement.

15.2 The facility has been obtained against total limit of Rs. 50 million for expansion in spinning unit-II. On March 15, 2007, an amount of Rs. 14.917 million has been converted into Long Term Finance for Export Oriented Projects.

It is secured against first equitable mortgage charge on present and future fixed assets of the company and personal guarantees of certain directors of the company. It carries mark up at the rate of 6 month KIBOR +1.25% (2009: KIBOR + 1.25%). It is repayable in 9 half yearly equal installments ending on February 01, 2012 with a grace period of one year from the date of disbursement.

15.3 On June 2006, the finance of Rs. 9.393 million had been created out of sanctioned limit of Demand Finance for Rs. 50 million. The amount of finance has been worked out following LTF/EOP scheme of SBP only for import of those assets which qualify under the scheme. It carries mark-up at SBP rate +3% i.e. 7% (2009: 7%). It is repayable in 9 semi-annual equal installments commencing from June 30, 2006 and is secured against 1st equitable mortgage charge on present and future fixed assets of the company and personal guarantees of certain directors of the company.

15.4 On March 2007, the finance of Rs. 14.917 million had been created out of sanctioned limit of Demand Finance for Rs. 330 million. The amount of finance has been worked out following LTF/EOP scheme of SBP only for import of those assets which qualify under the scheme. It carries mark-up at SBP rate +3% i.e. 7% (2009: 7%). It is repayable in 9 semi-annual equal installments commencing from November 09, 2007 and is secured against 1st equitable mortgage charge on present and future fixed assets of the company and personal guarantees of certain directors of the company.

15.5 On April 2010, the finance of Rs. 60 million had been created out of sanctioned limit of Term Loan of Rs. 60 million. It carries mark-up at 3-month average KIBOR +1.75%. It is repayable in 16 annual equal instalments commencing from July 01, 2011 and is secured against first pari passu charge over the current assets of the Company for Rs. 80 million and ranking charge on present and future fixed assets of the Company for Rs. 80 million.

15.6 The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows

	Note	2010 Rupees	2009 Rupees
6 months or less			
- Short-term borrowings		231,116,680	620,400,609
- Long-term loans		117,075,291	141,441,281
		348,191,971	761,841,890

15.7 **From related parties - unsecured**

Chief executive officer	12,834,984	12,834,984
Directors	48,192,000	46,317,000
Relatives of directors	1,780,000	3,655,000
	62,806,984	62,806,984

These interest free loans are repayable in future on availability of funds with the Company.

15.8 Management considers that there is no significant non compliance of agreements with financial institutions, where the Company is exposed to penalties.

16. DEFERRED LIABILITIES

Staff gratuity	16.1	9,537,372	6,791,238
Deferred taxation	16.2	24,785,294	10,189,481
		34,322,666	16,980,719

	Note	2010 Rupees	2009 Rupees
16.1 Movement in the net liability recognized in the balance sheet is as follows:			
Opening liability		6,791,238	6,075,941
Charge for the year		8,043,034	7,190,097
		14,834,272	13,266,038
Payments during the year		(5,296,900)	(6,474,800)
Closing liability		9,537,372	6,791,238
The amount recognized in the balance sheet is as follows:			
Present value of defined benefit obligation		10,103,355	7,357,221
Unrecognized actuarial loss		(565,983)	(565,983)
Net liability at the end of year		9,537,372	6,791,238
The amount recognized in the profit and loss account is as follows:			
Current service cost		7,160,167	6,393,066
Interest cost		882,867	797,031
		8,043,034	7,190,097
Expense for the year is recognized in the following line items of profit and loss account			
Cost of goods sold	22.2	7,234,012	64,446,484
Administrative expenses	25.1	809,022	743,613
		8,043,034	7,190,097

Principal actuarial assumptions used in the actuarial valuation of the scheme carried out under Projected Unit Credit Method as at June 30, 2009 are as follows:

	2010	2009
Discount rate (per annum)	12%	12%
Expected rate of increase in salaries (per annum)	11%	11%
Average expected remaining working life time of employees	4 Years	4 Years

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

	2010	2009	2008	2007	2006
	Rupees				
Defined benefit obligation	10,103,355	7,357221	6,641,924	1,146,831	3,501,932
Unrecognised actuarial (losses)	(565,983)	(565,983)	(565,983)	(77,474)	(66,064)

	Note	2010 Rupees	2009 Rupees Restated
16.2 Deferred taxation			
Deferred tax liability on taxable temporary differences			
- Accelerated tax depreciation allowance		43,746,419	68,461,470
Deferred tax asset on deductible temporary differences			
- Carryforward tax losses		(17,375,537)	(56,513,058)
- Provisions		(1,585,588)	(1,758,931)
		(18,961,125)	(58,271,989)
		24,785,294	10,189,481

17. TRADE AND OTHER PAYABLES

	Note	2010 Rupees	2009 Rupees Restated
Due to associated undertakings	17.1	66,080,484	63,740,983
Creditors		28,882,589	35,475,978
Advance payments		3,921,844	2,775,182
Accrued liabilities		40,911,348	48,013,593
Tax deducted at source		235,435	319,242
Unclaimed dividend		3,564,216	3,564,216
Workers' profit participation fund		5,818,472	516,763
Workers' welfare fund		2,404,305	229,117
Others		–	205,950
		151,818,693	154,841,024

17.1 Due to associated undertakings

	2010 Rupees	2009 Rupees Restated
Shah Shams Cotton Industries (Private) Limited	66,080,484	57,308,967
Mehmooda Maqbool Mills Limited	–	6,385,161
Allawasaya Textile & Finishing Mills Limited	–	46,855
	66,080,484	63,740,983

18. ACCRUED MARKUP

- Long term financing	3,955,208	4,760,520
- Short term borrowings	13,413,905	24,364,376
	17,369,113	29,124,896

19. SHORT TERM BORROWINGS

Under mark-up arrangements - secured

From banking companies		
Running Finance	179,250,842	362,151,570
Cash finance	51,865,838	227,708,769
Foreign currency loan	–	30,540,270
	231,116,680	620,400,609

19.1 The Company can avail finance facilities from various commercial banks under mark-up arrangements aggregating to Rs. 1,104 million (2009: Rs. 1,219 million). These facilities are subject to mark-up ranging from 3% to 15.01% (2009: 4.02% to 18% per annum). These facilities are secured against pledge of raw materials and finished goods, hypothecation charge over present and future current assets of the Company, lien on documents of title to goods and personal guarantees of certain directors of the Company. Facilities available for opening letters of credit and guarantee aggregating to Rs. 192 million (2009: Rs. 192 million) of which facilities remained un-utilised at the year end were Rs. 192 million (2009: Rs. 190 million).

These facilities are expiring on various dates by December 31, 2010.

20. CONTINGENCIES AND COMMITMENTS

Contingencies

20.1 WAPDA, during the accounting year ended September 30, 1998, raised demand for electricity charges amounting to Rs. 0.220 million for the period from July, 1992 to December,1994. The company had not accepted the said demand and filed a suit against this demand before the Court of Civil Judge-1st Class, Kot Addu. The case is pending for final decision. However, on the Court's instructions Rs. 0.220 million were deposited with it. This amount has been grouped under "Trade deposits and short term prepayments" (note 9).

20.2 A fire broke out in the stock of cotton bales stored in the open compound and godowns at the premises of the company's mills on April 13, 2000. Surveys, through the Surveyors appointed by the insurers, were conducted. The total insurance claim of Rs. 100,684,299 was ascertained and accepted by a consortium of Habib Insurance Company Pakistan Ltd., (HICL), Premier Insurance Company of Pakistan Ltd. (PICPL), and Pakistan General Insurance Company Limited (PGIL). HICL and PICPL satisfied the total insurance claims to the extent of their shares. The portion of insurance claim receivable from PGIL, however, remained due till September 30, 2000.

As the insurance claim receivable from PGIL to the tune of Rs. 49.618 million was doubtful of recovery, it was written off as at September 30, 2000. The company, however served legal notice and also filed recovery suits against PGIL. Presently, the suits filed against PGIL are pending adjudication before the Honourable Lahore High Court and Civil Court, Lahore. The company also lodged complaint against PGIL with APTMA on which the PGIL through its council has served legal notice to the company and its directors for the damages. The legal notice was duly replied. However, the PGIL has also filed suit against the company and its directors which is pending adjudication in the court of Civil Judge, Lahore.

20.3 The company during the year ended September 30, 1999, filed a writ petition with the Lahore High Court Multan Bench against the Chairman, Administrator town committee Muzaffargarh praying that the respondent be ordered to implement the orders of the Lahore High Court regarding the refund of the Zila Tax Rs. 886,715. In this respect an amount of Rs. 161,013 received against Zila Tax. The refund of the balance amount of Rs. 725,702 is still pending.

20.4 The Company has imported textile machinery availing exemption from custom duty and sales tax on importation thereof under S.R.Os. 554 (1)/98, 987(1)/99 and 369(1)/2000. The company has submitted indemnity bonds to the Customs Authorities in this regard. In case the conditions of aforementioned S.R.Os. are violated, the amount of customs duty and sales tax exempted aggregating Rs. 65.283 million shall be recoverable by the Customs Authorities along with such penalties imposed in this regard under Section 202 of the Customs Act, 1969.

20.5 Refer contents of note 28.3 and 28.4.

Commitments

20.6 Commitments outstanding at the end of the year in respect of irrevocable letter of credit for import of machinery amounting to Rs. 0.414 million (2009: Rs. 1.85 million).

21. SALES

	2010 Rupees	2009 Rupees
Local :		
Yarn	1,615,232,402	882,524,694
Waste	37,687,380	39,647,517
Doubling process income	11,997,125	12,898,967
	1,664,916,907	935,071,178
Export	519,061,584	872,242,849
	2,183,978,491	1,807,314,027

22. COST OF GOODS SOLD

	Note	2010 Rupees	2009 Rupees Restated
Raw materials consumed	22.1	1,369,255,311	1,181,986,079
Salaries, wages and benefits	22.2	125,124,130	107,535,351
Stores consumed		20,784,765	25,698,033
Packing materials consumed		27,431,101	33,516,648
Power and fuel		258,939,859	205,615,243
Repair and maintenance		2,266,699	2,305,209
Insurance		4,855,375	4,598,668
Depreciation	4.2	57,252,762	55,701,848
Others		40,485	13,000
		1,865,950,487	1,616,970,079
Work-in-process			
Opening stock		21,973,909	20,668,000
Closing stock		(21,160,985)	(21,973,909)
		812,924	(1,305,909)
Cost of goods manufactured		1,866,763,411	1,615,664,170
Finished goods			
Opening stock		54,515,766	35,662,000
Purchases		40,972,090	39,192,200
Closing stock		(71,681,000)	(54,515,766)
		23,806,856	20,338,434
		1,890,570,267	1,636,002,604

22.1 Raw materials consumed

	2010 Rupees	2009 Rupees Restated
Opening stock	209,817,786	167,378,120
Purchases and purchase expenses	1,231,938,100	1,223,120,536
	1,441,755,886	1,390,498,656
Closing stock	(73,749,786)	(209,817,786)
	1,368,006,100	1,180,680,870
Cotton cess	1,249,211	1,305,209
	1,369,255,311	1,181,986,079

22.2 These include Rs. 7,234,012 (2009: Rs. 6,446,484) in respect of staff retirement benefits.

23. OTHER OPERATING INCOME

	2010 Rupees	2009 Rupees
Income from financial assets		
Exchange gain	5,850,684	7,973,474
Profit on term-finances	86,835	86,869
	5,937,519	8,060,343
Income from assets other than financial assets		
Miscellaneous income	87,712	131,529
	87,712	131,529
	6,025,231	8,191,872

24. DISTRIBUTION COST

	2010 Rupees	2009 Rupees
Export expenses (including freight on export sales)	17,851,251	27,625,219
Export development surcharge	1,749,806	2,264,105
Freight, forwarding and others	2,155,935	2,109,127
Commission	21,949,072	20,472,568
	43,706,064	52,471,019

25. ADMINISTRATIVE EXPENSES

	Note	2010 Rupees	2009 Rupees
Director's meeting fee		6,500	33,000
Salaries and benefits	25.1	15,724,194	12,312,553
Vehicles' running and maintenance		3,263,089	2,587,292
Traveling and conveyance		4,505,766	2,656,505
Printing and stationery		1,050,331	734,543
Communication		1,571,864	2,139,429
Electricity and gas		2,336,535	2,163,250
Rent, rates and taxes		51,600	51,200
Repair and maintenance		542,696	793,267
Entertainment		664,271	787,130
Subscription		1,072,863	355,924
Insurance		408,907	328,955
Donation	25.2	292,000	145,500
Advertisement		69,965	98,080
Depreciation	4.2	1,366,316	1,076,427
Auditors' remuneration	25.3	640,000	515,000
Legal and professional		620,731	169,685
Others		463,905	574,177
		34,669,533	27,521,917

25.1 These include Rs. 809,022 (2009: Rs. 743,613) in respect of staff retirement benefits.

25.2 None of the directors or their spouses had any interest in the donee's fund.

25.3 Auditor's remuneration

	2010 Rupees	2009 Rupees
Statutory audit fee	500,000	375,000
Half yearly review	75,000	75,000
Tax services	50,000	50,000
Certification and other services	15,000	15,000
	640,000	515,000

26. OTHER OPERATING EXPENSES

	Note	2010 Rupees	2009 Rupees Restated
Workers' Profit Participation Fund		5,814,926	516,763
Workers' Welfare Fund		2,175,188	229,117
Interest on WPPF		67,233	-
		8,057,347	745,880

27. FINANCE COST

Mark-up / interest on:			
Long-term financing		10,783,719	14,327,210
Short-term borrowings		82,925,165	98,544,488
		93,708,884	112,871,698
Bank charges		802,026	2,164,874
		94,510,910	115,036,572

28. TAXATION

Current		13,474,890	8,722,428
Prior year	28.5	1,440,000	35,935
Deferred		14,595,812	(8,117,406)
		29,510,702	640,957

28.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as the significant portion of total income of the Company falls under final tax regime and hence tax has been provided under sections 154 and 169 of the Income Tax Ordinance, 2001.

28.2 The Income Tax Assessment of the company has been completed up to the Tax Year 2009.

28.3 The taxation officer has finalized the assessment for the assessment year 2002-03 by disallowing certain expenses. The Company filed an appeal before the commissioner Income Tax (Appeal), who in his order allowed Rs. 0.779 Million out of total disallowed expenses of Rs. 8.280 Million. The department has filed second appeal before the ITAT for the assessment year 2002-03 which is rejected and effects of appeal are awaited.

28.4 The Company, in view of the Supreme Court of Pakistan's Judgment dated 04, June, 1997 is not liable to pay minimum tax under section 80-D of the Repealed income tax ordinance , 1979 . Consequently , Minimum Tax paid under protest and tax deducted at source till September 30, 1999 were accounted for as loans and advances (note 7).

28.5 Provision for Corporate Assets Tax levied vide the Finance Act, 1991 amounting Rs. 1.440 million inclusive of additional tax of Rs. 0.440 million has been made in these financial statements. The Company challenged the validity of these levies through a writ petition filed with the Lahore High Court Multan Bench. However, the demanded Corporate Assets Tax is not refundable in the view of the management, therefore expensed out during the year.

29. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2010	2009 Restated
Profit/ (loss) for the year	Rupees	88,978,899	(16,913,050)
Weighted average number of shares outstanding during the year		16,800,000	16,800,000
Earnings per share - basic and diluted	Rupees	5.30	(1.01)

30. FINANCIAL RISK MANAGEMENT

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

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

30.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 122,786,024 (2009: Rs. 292,899,987), the financial assets which are subject to credit risk amounted to Rs. 122,602,907 (2009: Rs. 292,647,080. The Company manages credit risk in trade debts by assigning credit limits to its customers and thereby does not have significant exposure to any individual customer.

Credit risk of the Company arises principally from the trade debts, loans and advances and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	Note	2010 Rupees	2009 Rupees
Assets as per balance sheet			
Long-term investments		868,086	868,434
Deposits		4,499,639	3,557,739
Trade debts		114,659,154	276,955,973
Loans and advances		1,723,869	1,371,408
Other receivables		541,436	1,941,231
Bank balances		310,723	7,952,295
		122,602,907	292,647,080

30.2.1 Credit risk related to receivables

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

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

30.3 Liquidity Risk Management

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

30.3.1 Liquidity and Interest Risk Table

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

	Weighted Average effective rate of interest	Less than 1 month	1 - 3 months	3 months - 1 years	1 -5 years	more than 5 years	Total
				RUPEES			
2010							
Long-term finance	7% to 14.26%	–	–	51,449,874	128,432,401	–	179,882,275
Trade and other payables		–	–	139,438,637	–	–	139,438,637
Accrued mark-up		–	17,369,113	–	–	–	17,369,113
Short-term borrowings	3% to 15.01%	–	–	231,116,680	–	–	231,116,680
		–	17,369,113	422,005,191	128,432,401	–	567,806,705

	Weighted Average effective rate of interest	Less than 1 month	1 - 3 months	3 months - 1 years	1 -5 years	more than 5 years	Total
				RUPEES			
2009							
Long-term finance	7% to 15.01%	–	–	84,365,988	57,075,293	62,806,984	204,248,265
Trade and other payables		–	–	151,000,720	–	–	151,000,720
Accrued markup		–	29,124,896	–	–	–	29,124,896
Short-term borrowings	4.02% to 18%	–	–	620,400,609	–	–	620,400,609
		–	29,124,896	855,767,317	57,075,293	62,806,984	1,004,774,490

30.4 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.

30.4.1 Interest Rate Risk Management

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will effect the value of financial instruments. The Company has significant amount of interest based financial assets and financial liabilities which are largely based on variable interest / mark-up rates, therefore the Company has to manage the related finance cost which exposes it to the risk of 3 months and 6 months KIBOR.

30.4.2 Interest Rate Sensitivity

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Company's profit for the year would have been lower by Rs. 4.109 million (2009: Rs. 8.246 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

30.5 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However, the Company is not materially exposed to foreign currency risk on assets and liabilities. As at June 30, 2010, the total foreign currency risk exposure was Rs. 34.008 million (2009: Rs. 230.770 million) in respect of trade debts and Rs. Nil (2009: Rs. 35.540 million) in respect of foreign currency loan.

30.6 Foreign Currency Sensitivity Analysis

At June 30, 2010, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been higher / lower by Rs. 3.417 million (2009: Rs. 19.974 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency trade debts and US Dollar denominated borrowings. Profit / (loss) is less sensitive to movement in Rupee / foreign currency exchange rates in 2010 than 2009 because of the increase amount of foreign currency borrowings.

30.7 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.

30.8 Financial Instruments by Category

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

	Loans and receivables	Held to maturity	Total June 30, 2010
	Rupees		
Assets as per balance sheet			
Long-term investment	–	868,086	868,086
Deposits	4,499,639	–	4,499,639
Trade debts	114,659,154	–	114,659,154
Loans and advances	1,723,869	–	1,723,869
Other receivables	541,436	–	541,436
Cash and cash bank balances	494,020	–	494,020
	121,918,118	868,086	122,786,204

	Financial Liabilities measured at amortized cost	Total June 30, 2010
	------------------- Rupees -------------------	
Liabilities as per balance sheet		
Long-term financing	179,882,275	179,882,275
Short-term borrowings	231,116,680	231,116,680
Accrued mark-up	17,369,113	17,369,113
Trade and other payables	139,438,637	139,438,637
	567,806,705	567,806,705

	Loans and receivables	Held to maturity	Total June 30, 2009
	-------------------	Rupees	-------------------
Assets as per balance sheet			
Long-term investment	–	868,434	868,434
Deposits	3,557,739	–	3,557,739
Trade debts	276,955,973	–	276,955,973
Loans and advances	1,371,408	–	1,371,408
Other receivables	1,941,231	–	1,941,231
Cash and cash bank balances	8,205,202	–	8,205,202
	292,031,553	868,434	292,899,987

	Financial Liabilities measured at amortized cost	Total June 30, 2009
	------------------- Rupees -------------------	
Liabilities as per balance sheet		
Long-term financing	204,248,265	204,248,265
Short-term borrowings	620,400,609	620,400,609
Accrued mark-up	29,124,896	29,124,896
Trade and other payables	151,000,720	151,000,720
	1,004,774,490	1,004,774,490

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

Particulars	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	June 30, 2010			June 30, 2009		
Managerial remuneration	–	–	1,830,000	–	–	1,800,000
Utilities	158,867	150,325	–	135,436	128,532	–
	158,867	150,325	1,840,000	135,436	128,532	1,800,000
No. of persons	1	1	3	1	1	3

31.1 Chief executive officer and executive directors are provided with Company maintained cars and utilities at residence.

31.2 Meeting fee amounting Rs. 6,500 (2009: Rs. 24,000) was paid to non-executive directors and Rs. Nil (2009: 9,000) was paid to executive directors of the Company during the year.

32. TRANSACTIONS WITH RELATED PARTIES

32.1 Related parties comprise of associated undertakings and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due to associated undertakings are shown under long term financing (refer note 15), trade and other payables (refer note 17) and amount due from associate undertaking is shown under loans and advances (refer note 8). Remuneration of key management personnel is disclosed in note 31. Other significant transactions with related parties are as follows:

	2010 Rupees	2009 Rupees
Purchase of goods	382,903,389	354,098,428

32.2 All transactions with related parties have been carried out on commercial terms and conditions.

		2010 Rupees	2009 Rupees

34. PLANT CAPACITY ACTUAL AND PRODUCTION

Spinning Unit-1

Spindles installed and worked	No.	18,336	18,672
Shift worked	No.	1,077	1,075
Standard production after conversion into 20's count	Kgs	6,202,118	5,975,052
Actual production of yarn after conversion into 20's count	Kgs	4,816,825	5,138,171

Spinning Unit-II

Spindles installed and worked	No.	27,864	25,800
Shift worked	No.	1,084	1,089
Standard production after conversion into 40's PC count	Kgs	3,975,305	6,372,218
Actual production of yarn after conversion into 40's PC count	Kgs	3,730,163	5,487,830

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

35. DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on 08-10-2010 by the Board of Directors of the Company.

36. GENERAL

36.1 **Non-adjusting events after the balance sheet date**

The Board of Directors have proposed dividend for the year ended June 30, 2010 of Rs.2.25 per share amounting to Rs. 37.8 million at their meeting held on 8th of October, 2010 for approval from the members at the Annual General Meeting to be held on October 30, 2010. These financial statements do not reflect this dividend payable which will be accounted for in the period in which it is approved.

36.2 Figures have been rounded-off to the nearest rupee except stated otherwise.

CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

THE COMPANIES ORIDNANCE 1984
(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1. Incorporation Number **0020652**
2. Name of the Company **Maqbool Textile Mills Limited**
3. Pattern of holding the share held by the shareholders as at 30.06.2010

CATEGORIES	PHYSICAL		CDC		GRAND TOTAL		
	No. of Holders	No. of Shares	No. of Holders	No. of Shares	No. of Holders	No. of Shares	%age
1-100	22	2,200	13	1,126	35	3,326	0.02
101-500	236	112,000	135	62,238	371	174,238	1.04
501-1000	67	65,800	67	66,200	134	132,000	0.79
1001-5000	25	60,600	65	182,836	90	243,436	1.45
5001-10000	5	40,000	12	97,500	17	137,500	0.82
10001-15000	–	–	5	66,500	5	66,500	0.40
15001-20000	–	–	2	31,500	2	31,500	0.19
20001-25000	–	–	2	42,500	2	42,500	0.25
25001-35000	1	28,600	1	35,000	2	63,600	0.38
45001-50000	–	–	1	48,600	1	48,600	0.29
150001-160000	–	–	1	158,000	1	158,000	0.94
160001-170000	2	338,000	–	–	2	338,000	2.01
175001-200000	3	528,000	–	–	3	528,000	3.14
200001-500000	1	209,000	1	391,000	2	600,000	3.57
500001-860000	7	4,728,915	–	–	7	4,728,915	28.15
1150001-1200000	4	4,673,585	–	–	4	4,673,585	27.82
1400001-1450000	–	–	1	1,448,000	1	1,448,000	8.62
1665001-1670000	–	–	1	1,666,089	1	1,666,089	9.92
1715001-1720000	–	–	1	1,716,211	1	1,716,211	10.22
TOTAL	**373**	**10,786,700**	**308**	**6,013,300**	**681**	**16,800,000**	**100**

Category wise Pattern of Total Shareholding

	Categories of Shareholders	No. of Shareholders	No. of Shares	%age
1	Individuals	639	1,012,300	6.03
2	Investment Companies	1	1,500	0.01
3	Insurance Companies	2	392,500	2.34
4	Joint Stock Companies	15	1,471,300	8.76
5	Financial Institutions	4	3,391,300	20.19
6	Directors and Sponsors	20	10,531,100	62.69
	TOTAL	**681**	**16,800,000**	**100.00**

PATTERN OF SHAREHOLDING
AS ON JUNE 30, 2010
ADDITIONAL INFORMATION

Shareholders' Category	*Number of Shareholders*	*Number of Shares Held*
Associated Companies, Undertakings & Related Parties		Nil
NIT and ICP		
National Bank of Pakistan-Trustee Department	2	3,382,300
Directors		
Mian Tanvir Ahmad Sheikh	1	1,151,146
Mrs. Romana Tanvir Sheikh	1	600,000
Mian Anis Ahmad Sheikh	1	1,181,146
Mrs. Rameen Anis Sheikh	1	600,000
Mian Idrees Ahmad Sheikh	1	1,160,146
Mian Aziz Ahmad Sheikh	1	1,181,147
Mr. Raza Abbas Jafari (Rep NIT)	1	3,382,300
Chief Executive Officers		
Mian Tanvir Ahmad Sheikh	1	1,151,146
Directors'/CEO's Spouses	20	10,531,100
Executives		Nil
Public Sector Companies Corporations		Nil
Non-Banking Finance Institutions		
Insurance Companies, Modarabas and Mutual Funds	2	392,500
Shareholders Holding 10% or more voting interest		
Mr. Raza Abbas Jafari (Rep NIT)	1	3,382,300

FORM OF PROXY

I, ...

....

of ....

being a member of *MAQBOOL TEXTILE MILLS LIMITED*, hereby appoint.

....

of ....

as my proxy in my absence to attend and vote for me and on my behalf at the (Ordinary or / and Extraordinary as the case may be) General Meeting of the Company to be held on the .... and at any adjournment thereof ....

As witness my hand this ....

day of 2010

Signed by the said

Five Rupees Revenue Stamp

IMPORTANT

This form of proxy, duly completed, must be deposited at the Company's Head Office 2-Industrial Estate, Multan not less than 48 hours before the time for holding the meeting (Article 76).