2280
MUBT
Done

ANNUAL REPORT 2010

To scan

MUBARAK
TEXTILE MILLS LIMITED

بسم الله الرحمن الرحيم

19TH
ANNUAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2010

VISION STATEMENT

To be Dynamic, Profitable and Growth Oriented Company

MISSION STATEMENT

To be a foremost company receptive to the needs of our Customers acknowledged for consistently providing fine Quality Product and services by understanding the behavior and preparing fully to meet the challenges of global market standards and making best efforts in production planning quality of products and marketing strategies and so give consistent financial return to the shareholders on their investment.

ANNUAL REPORT 2010

CONTENTS

COMPANY PROFILE

BOARD OF DIRECTORS	MR. ZULFIQAR ALI	CHIEF EXECUTIVE
	MR. CH. NASEER AHMED	
	MR. ABDUL RASHEED	
	MR. SYED HAMEED-UD-DIN	
	MR. IMTIAZ HUSSAIN QURASHI	
	MR. NADEEM ABBAS	
	MR. NAFEES IQBAL	
AUDIT COMMITTEE	MR. ZULFIQAR ALI	CHAIRMAN
	MR. CH. NASEER AHMED	MEMBER
	MR. ABDUL RASHEED	MEMBER
COMPANY SECRETARY	MR. ABDUL SHAKOOR	
CHIEF FINANCIAL OFFICER	M. BABAR KHAN	
AUDITORS	M/S. AHMED MUSHIR & CO., CHARTERED ACCOUNTANTS ENGAGEMENT PARTNER IQBAL OMER	
BANKERS	HABIB METROPOLITAN BANK LTD SONERI BANK LIMITED RBS THE ROYAL BANK OF SCOTLAND	
REGISTERED OFFICE / MILLS	20-KM OFF FEROZEPUR ROAD, LAHORE, PAKISTAN. TEL : 042-35273514 FAX : 042-35273515	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 19th Annual General Meeting of the Shareholders of MUBARAK TEXTILE MILLS LIMITED, will be held on Saturday the 30th day of October, 2010 at 11:00 A.M. at 20-KM Off Ferozepur Road, Lahore to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 18th Annual General Meeting held on 31st October, 2009.
2. To receive, consider and adopt the Audited Accounts together with Directors' and Auditors' Reports for the year ended 30th June, 2010.
3. To appoint auditors for the year ending 30th June, 2011 and fix their remuneration.

ANY OTHER BUSINESS

4. To transact any other business with the permission of the Chair.

By Order of the Board

LAHORE:
Dated: 06th October, 2010

(ABDUL SHAKOOR)
Company Secretary

NOTES:

1. The share transfer books of the Company shall remain closed from 26th October, 2010 to 05th November, 2010 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies in order, to be valid must be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.
3. CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Cards, Account/Sub Account and particular of participants I.D. numbers and account numbers in CDS, for identification purpose, and in case of proxy, to enclose an attested copy of his/her National Identity Card.
4. Shareholders are requested to notify the Company of any change in their addresses.

DIRECTORS' REPORT

The Directors of your Company are pleased to present before you the Audited Profit & Loss Account, Balance Sheet, Cash Flow Statement & Statement of Changes in Equity for the year ended 30th June, 2010 alongwith Directors' and Auditors Report thereon.

FINANCIAL HIGHLIGHTS/RESULTS JUNE, 2010.

	June, 2010	June 2009
Sales/Processing Income	20,391,091	51,563,862
Operating Profit/(Loss)	4,718,466	(735,978)
Financial Charges	6,309,508	7,021,881
Taxation for the Year	403,865	1,104,433
Profit/(Loss) for the year	750,652	(6,235,862)
Profit/(Loss) Per Share	0.14	(1.15)

In the period under review Company earned profit before taxation for Rs 1,154 (M) after providing for all the operational administrative and financial charges including depreciation for Rs. 4,044(M) as compared to pre-tax Loss of Rs. (5,131) (M) of the last year.

Due to prevailing economic recessionary conditions, specially knitwear industry facing hardship. Hike in price of Raw-Material on daily basis as compared to the rate of return over on processing on conversion basis, the management could not get the market work according to the capacity of the project, however, did the selected work and managed to make it profitable and in this way meet day to day expenses and service the mark-up on debt.

If the management of the company get better offer (for which it is in search of) will let the idle portion of the project on lease (as was approved by the General body) and have permanent earning, resultantly strengthen the Company economically.

AUDITORS REPORT TO THE MEMBERS.

In reply to auditors observations your directors have the following view:

1. Balance confirmation letters were sent directly to the Debitors & Creditors by the auditors. It's the responsibility of the parties to response.
2. Since the project is being run on conversion basis and accordingly to commercial work requirement the personnel is hired temporarily according to the demand, so there are no permanent employees are there and therefore, neither provision for gratuity is made and nor any acturial is conducted.
3. The management is running the project on conversion basis and for the year earned profits and also trying to let on lease the idle project in this way have permanent earning and have no doubt to be a going concern.

TRADING IN THE SHARES OF THE COMPANY

No trading in the Shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor childrens.

BOARD MEETING

During the year 5 Board meeting were held, which were attended as follows:

1.	Mr. Rehan Ahmed	2
2.	Mr. Zulfiqar Ali	5
3.	Mr. Abdul Rasheed	4
4.	Mr. Imtaiz Hussain Qureshi	5
5.	Mr. Ch. Naseer Ahmad	5
6.	Mr. Syed Hameed-ud-din	5
7.	Mr. Nadeem Abbass	4
8.	Mr. Nafees Iqbal	2

Leave of absence were granted to the directors who could not attend the board meeting.

KEY OPERATING & FINANCIAL DATA FOR LAST SIX YEARS.

PARTICULARS	2010	2009	2008	2007	2006	2005
PAID UP CAPITAL	54,000,000	54,000,000	54,000,000	54,000,000	27,000,000	27,000,000
FIXED ASSET AT COST	52,283,721	56,328,186	60,642,905	61,877,312	64,161,118	69,126,570
ACCUMULATED DEPRECIATION	101,262,753	97,578,329	93,536,062	89,280,783	84,735,705	79,763,353
CURRENT ASSETS	18,127,296	22,697,697	32,992,606	45,686,768	38,527,384	33,129,721
CURRENT LIABILITIES	86,561,845	94,480,652	99,363,266	97,563,361	117,825,432	109,809,137
SALE	20,391,091	51,563,862	83,482,692	92,087,965	76,076,826	41,738,137
OTHER INCOME	2,830,628	2,626,430	1,800,229	198,410,521	1,026,103	1,518
PRE TAX PROFIT/(LOSS)	1,154,517	(5,131,429)	(12,844,708)	195,337,455	(2,917,270)	(31,821,586)
TAXATION	403,865	1,104,433	1,152,495	479,384	(36,666)	208,691

AUDITORS

The present auditors M/s. Ahmed Mushier & Co. Chartered Accountants Engaged Partner Iqbal Omer retired and being eligible offer themselves as external auditors of the Company for the year 2010.2011.

PATTERN OF SHARE HOLDING

The pattern of shareholding is annexed to report. The statement is prepared in accordance with the code of corporate Governance.

DIVIDEND

Due to tight liquidity position the board of Directors has decided to pass over the dividend.

CORPORATE & FINANCIAL REPORTING FRAME WORK

This statement is submitted to comply with the code of corporate governance contained in circular No. 2(10) SE/SMD/2002 dated March 28 2002 issued to stock exchanges of Pakistan.

The company applies the principles contained in the code in the following manners:

1 The financial statement present fairly the company's state of affairs, the results of operations, cash flow and changes in equity.

2 The company has maintained proper books of accounts.

3 Appropriate accounting policies have been consistently applied in the preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment.

4 International Accounting Standard as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.

5 The system of internal control is sound and internal Auditor is continuously reviewing the Existing System and is a continuous process and any weakness in control reported will have immediate attention of the management.

6 There are no significant doubts upon on company's ability to continue as going concern.

7 There has been no material departure from the practices of corporate governance as detailed in the stock exchange listing regulations.

8 There were no outstanding taxes levies at 30th June, 2010 against the company except those of routine levies.

9 The board of directors in compliance with the code of corporate governance has constituted the audit committee which comprises of following members.

1	Mr. Zulfiqar Ali	(Chairman)
2	Ch. Naseer Ahmed	(Member)
3	Mr. Abdul Rasheed	(Member)

LABOUR / MANAGEMENT RELATIONS

Relations between Management and the employees / workers remained cordial throughout the year. The management places on record its appreciation for the dedication and the hard work of the employees for the progress of the company and hope they will continue their cooperation and team spirit for the prosperity of the company.

For and on behalf of the Board

Lahore:
Dated: 06 October, 2010

(Zulfiqar Ali)
Chief Executive

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE TO THE MEMBERS

This statement is being presented to comply with the code of Corporate governance contained in the Listing regulations of the Karachi Stock Exchange (Guarantee) Ltd., for the purpose of establishing a frame work of Good Governance, whereby a listed company is managed in compliance with the best practice of corporate Governance.

The company has applied the principles contained in the code in the following manners.

1. The company encourages representation of independent Non-Executive Directors and directors representing minority interest on its board of Directors and present Board includes two Non-Executive Directors.
2. The Directors has 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 tax payers.
4. The Company has prepared a statement of ethics and business practices to establish a standard of conduct, which has been signed by the Directors and Employees of the Company.
5. The board has developed a mission statement overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies has been maintained.
6. All the powers of the board have been duly exercised and the board has taken decisions on material transactions including appointment & remuneration and terms & Conditions of employment of CEO and other Executives Directors.
7. The meetings of the board were presided over by the chairman and in his absence by a director elected by the board for this purpose and the board meeting met at least once in every Quarter. Written notice of the board meeting along with agenda and working papers were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
8. The board of directors of the company are aware of their responsibility and fully conversant with the provisions of Companies Ordinance, 1984 and all other business and regulatory laws and the provisions of the Memorandum & Articles of the Association required for managing the affairs of the Company on behalf of the shareholders.
9. The board has approved the appointment of CFO, Company Secretary and head of Internal Audit including their remuneration and terms & conditions of employment as determined by the Chief Executive Officer.
10. The Directors report for this year has been prepared in compliance with the requirement of the code and fully describes all the matters required to be disclosed.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
12. The Directors, CEO and Executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
13. The company has complied with all the corporate and financial reporting requirements of the code.
14. The board has formed an audit committee comprising three members out of which two members are non-executive directors.

15. The meeting 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.

16. The board has setup an internal audit function the audit staff is suitably qualified and experienced for the said purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on a full time basis.

17. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are incompliance with International Federation of Accountants (IFAC) guidance on code of ethics as adopted by institute of Chartered Accountants of Pakistan.

18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regards.

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

For and on behalf of the Board

Lahore
Dated: 06 October, 2010

(Zulfiqar Ali)
Chief Executive

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 MUBARAK TEXTILE MILLS LIMITED (the company) to comply with the listing regulation no. 37 of the Karachi Stock Exchange (Guarantee) Ltd. and chapter XIII of listing regulations of the Lahore Stock Exchange (Guarantee) Ltd. 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 understating of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

Based on our review except for our reservation detailed in our report on the company's financial statements for the year ended June 30, 2010 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.

Lahore
Dated: 6th October 2010

AHMED MUSHIR & CO.,
CHARTERED ACCOUNTANTS
ENGAGEMENT PARTNER
IQBAL OMER

STATEMENT OF ETHICS & GOOD BUSINESS PRACTICES

1. COMPANIES' INTEREST & LOYALITY
2. CONTRIBUTION TO SOCIETY & HUMAN WELL BEING
3. AVOIDING HARM TO OTHERS
4. HONESTY & TRUSTWORTHYNESS
5. RESPECT THE PRIVACY OF OTHERS
6. HONOUR CONFIDENTIALITY
7. STRIVE TO ACHIEVE THE HIGHEST QUALITY, EFFECTIVENESS AND DIGNITY IN BOTH PROCESS & PRODUCT
8. ACQUIRE AND MAINTAIN PROFESSIONAL COMPETENCE
9. KNOW AND RESEPCT LAWS PERTAINING TO PROFESSIONAL WORK
10. ACCEPT AND PROVIDE APPROPRIATE PROFESSIONAL REVIEW

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **MUBARAK TEXTILE MILLS LIMITED** (the company) as at June 30, 2010 and the related profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanation 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 polices and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

1. We did not receive direct balance confirmation from parties, including debtors amounting to Rs. 15.417 million, creditors amounting to Rs. 28.911 million and advance payments, representing credit balances of debtors amounting to Rs.9.951 million. The company has not performed any aging of debtors past due but not impaired as per IFRS - 7 Financial Instruments: Disclosures. Accordingly we were unable to express our opinion on these balances.

2. The actuarial valuation of gratuity obligation payable to the employees as on 30 June 2010, was not carried out (refer to note 16 of the financial statement), therefore we were unable to express our opinion on the adequacy of the said liability as at 30 June 2010.

3. The financial statements of the company have been prepared assuming that company will continue as a going concern as explained in note 2.1 to the accounts. The company has earned a marginal profit of Rs. 0.751 Million during the year ended June 30, 2010, however as of that date the company's current liabilities exceed its current assets by Rs. 68.435 million. In our opinion these factors raise the doubt that the company may not be able to continue as a going concern.

Except for the contents of the preceding paragraphs from 1 to 3 and the extent to which they affect the annexed financial statements, we report that:

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

b) In our opinion:

(i) the balance sheet and profit & loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.3 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 because of the matters stated from paragraph 1 to 3, the financial statements do not give a true and fair view of the financial position of the company and of its financial performance and of the profit, its cash flows and statement of changes in equity together with notes forming part thereof for the year ended 30th June 2010 in accordance with the approved accounting standards in Pakistan. and the information required by the Companies Ordinance 1984.

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

Lahore.
Dated: 6th October 2010

AHMED MUSHIR & CO.,
CHARTERED ACCOUNTANTS
ENGAGEMENT PARTNER
IQBAL OMER

BALANCE SHEET AS AT JUNE 30, 2010

	NOTE	2010 Rupees	2009 Rupees
NON CURRENT ASSETS			
Property, Plant and Equipment - Operating	3	52,283,721	56,328,186
Capital work in progress	4	6,835,343	6,835,343
Long Term Deposits	5	1,852,084	1,709,084
CURRENT ASSETS			
Stores, spares and loose tools	6	-	558,704
Trade debtors	7	15,417,262	18,441,698
Loans and advances	8	160,968	619,483
Deposits and prepayments	9	414,558	769,646
Tax refunds due from the Government	10	1,710,183	1,696,877
Cash & bank balances	11	424,325	611,289
		18,127,296	22,697,697
		79,098,444	87,570,310
EQUITY & LIABILITIES			
CAPITAL & RESERVES			
Share Capital	12	54,000,000	54,000,000
Unappropriated loss		(84,215,961)	(86,028,605)
Shareholders Equity		(30,215,961)	(32,028,605)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	13	16,539,717	17,601,709
NON CURRENT LIABILITIES			
Long Term Loan	14	4,813,938	4,813,938
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	15	738,468	1,296,683
DEFERRED LIABILITIES	16	660,437	1,405,933
CURRENT LIABILITIES			
Current portion of long term liabilities:			
Liabilities against assets subject to finance lease	15	558,215	471,733
Short term borrowings	17	39,852,373	42,432,513
Interest and mark up accrued on loans	18	1,500,661	1,085,348
Trade and other payables	19	44,301,685	49,885,419
Provision for taxation	20	348,911	605,639
		86,561,845	94,480,652
CONTINGENCIES AND COMMITMENTS	21		
		79,098,444	87,570,310

The annexed notes form an integral part of these Financial Statements.

Mr. Zulfiqar Ali
Chief Executive

Mr. Nafees Iqbal
Director

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

	NOTE	2010 Rupees	2009 Rupees
Sales / Processing receipts	22	20,391,091	51,563,862
Cost of Goods sold	23	13,194,378	48,657,597
Gross Profit / (Loss)		7,196,713	2,906,265
OPERATING EXPENSES			
Administrative	24	2,478,247	3,597,338
Distribution cost	25	-	44,905
		2,478,247	3,642,243
Operating Profit / (Loss)		4,718,466	(735,978)
Other operating income	26	2,830,628	2,626,430
		7,549,094	1,890,452
Finance cost	27	6,309,508	7,021,881
Workers' (profit) participation fund		61,979	-
Workers' welfare fund		23,090	-
		6,394,577	7,021,881
Net Profit / (Loss) for the year before taxation		1,154,517	(5,131,429)
Taxation	28	403,865	1,104,433
Net Profit / (Loss) for the year after taxation		750,652	(6,235,862)
BASIC EARNING / (LOSS) PER SHARE	29	0.14	(1.15)

The annexed notes form an integral part of these Financial Statements.

Mr. Zulfiqar Ali
Chief Executive

Mr. Nafees Iqbal
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
Profit / (Loss) for the year	750,652	(6,235,862)
Other Comprehensive Income:		
Incremental depreciation transferred from revaluation surplus	1,061,992	1,172,745
Total Comprehensive Income	1,812,644	(5,063,117)

Mr. Zulfiqar Ali
Chief Executive

Mr. Nafees Iqbal
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	NOTE	2010 Rupees	2009 Rupees
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES			
Cash generated / (used) from operation	30	10,031,254	12,891,370
Gratuity paid		(745,496)	(820,908)
Taxes paid		(383,654)	(1,339,915)
Finance cost		(5,894,195)	(7,590,727)
Net cash inflow/(outflow) from operating activities		3,007,909	3,139,820
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES			
Fixed capital expenditure		-	(2,376,110)
Long term Deposit		(143,000)	-
Net cash inflow/(outflow) from investing activities		(143,000)	(2,376,110)
CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES			
Lease finance		(471,733)	(398,718)
Net cash (outflow) / inflow from financing activities		(471,733)	(398,718)
Net increase/(decrease) in cash & cash equivalents		2,393,176	364,992
Cash & cash equivalents as at July 01, 2009		(41,821,224)	(42,186,216)
Cash & cash equivalents as at June 30, 2010	31	(39,428,048)	(41,821,224)

The annexed notes form an integral part of these Financial Statements

Mr. Zulfiqar Ali
Chief Executive

Mr. Nafees Iqbal
Director

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

	PAID UP CAPITAL	RESERVES	ACCUMULATED (LOSS)	TOTAL
	(R U P	E E S)		
Balance as at July 01, 2009	54,000,000	-	(80,965,488)	(26,965,488)
Total Comprehensive Income for the year ended June 30, 2009		-	(5,063,117)	(5,063,117)
Balances as at June 30, 2009	54,000,000	-	(86,028,605)	(32,028,605)
Total Comprehensive Income for the year ended June 30, 2010			1,812,644	1,812,644
	54,000,000	-	(84,215,961)	(30,215,961)

Mr. Zulfiqar Ali
Chief Executive

Mr. Nafees Iqbal
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1 THE COMPANY AND ITS OPERATIONS:

Mubarak Textile Mills Limited (the company) was incorporated on 11th August, 1991 as a Private Limited Company and was subsequently converted into a Public Limited Company with its shares quoted in Pakistan on the Karachi and Lahore Stock Exchanges. The registered office of the company is situated at 20 k.m off Ferozepure road Lahore. The Project is a composite Knitwear unit comprising of Knitting, Dying, Finishing, Embroidery & stitching. Presently the company is involved in Processing of dyed Fabrics. The Mill is located at 20 k.m off Ferozepure road in district Lahore in the province of the Punjab.

2 SIGNIFICANT ACCOUNTING POLICIES AND STATEMENT OF COMPLIANCE

2.1 Basis of accounting:

The company has earned a marginal profit of Rs 0.751 million during the year its accumulated losses as at June 30, 2010 were Rs. 84.216 million. As of this date, the company's current liabilities exceeded its current assets by Rs. 68.435 million. These factors raise substantial doubts that company will be able to continue as a going concern and therefore may be unable to realize its assets or discharge its liabilities in the normal course of business.

To enable the company as a going concern, the management devised a plan to lease out the sizeable portion of building and machinery on rent and run the stanter, tumbling and raising line to meet its working capital requirements and other obligations

These financial statements have been prepared on a going concern basis on the assumption that company would be able to obtain the working capital from the sources referred above.

These financial statements do not include adjustments relating to recoverability and classification of recorded assets amount and classification of liabilities that may be necessary to continue as a going concern.

2.2 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan except for the contents of notes 16 and the requirement of the companies ordinance, 1984 (the ordinance) subject to the opinion paragraph of auditor's report. Approved accounting standards comprise of such International financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB) as notified under the provision of the ordinance and the directives issued by Securities and Exchange Commission of Pakistan (SECP) wherever the requirements of the ordinance or directives issued by the SECP differ with the requirements of these standards, the provisions or directives of the companies ordinance 1984 shall prevail. The principle accounting policies adopted, remained unchanged from the corresponding year except for the matter stated in paragraph 2.3

Standard, Amendments to published approved accounting standards and interpretations becoming effective in the year ended 30 June 2010:

The following standards, amendments and International Financial Reporting Interpretation Committee (IFRIC) interpretation to existing standards have been published and are manadatory for accounting periods beginning on or after 01 January 2009:

(i) IAS-1 (Revised), 'Presentation of Financial Statements' (Effective from January 1, 2009)

IAS-1 (Revised) prohibits the presentation of items of income and expenses (i.e. 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a statement of comprehensive income, but entity's can chose whether to present one performance statement or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of the earliest comparative period, in addition to the current requirement to present balance sheet at the end of the current period and comparative period. The company has opted to present two statements profit and loss account and statement of comprehensive income.

(ii) IAS-19 (Amendment), 'Employee Benefits' (Effective from January 1, 2009)

The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives arise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the company's financial statements.

The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the company's financial statements.

IAS 37, ' Provision Contingent Liabilities & Contingent Assets', requires contingent liabilities to be disclosed and not recognised. IAS 19 has been amended to be consistent with IAS 37.

(iii) IAS-36 (Amendment), 'Impairment of Assets' (Effective from January 1,2009)

In accordance with the new requirements, disclosures equivalent to those for value-in-use calculation should be made where fair value less cost to sell is calculated on the basis of discounted cash flows. Adoption of the amendment is not expected to have any effect on the company's financial statements.

(iv) IAS-23 (Amendment), 'Borrowing Costs' (Effective from January 1,2009)

This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. On Adoption of the above amendment the option of immediately expensing those borrowing costs will be withdrawn. This amendment is not expected to have a significant effect on the company's financial statement. The company has applied IAS 23 from 01 July 2009 as more fully explained in note 2.3.2 below.

(v) IAS-38 (Amendment), 'Intangible Assets' (Effective from January 1,2009)

This amendment states that a prepayment may only be recognised in the event that prepayment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have any effect on company's financial statement.

Standards, Amendments to published approved accounting standards and interpretations as adopted in Pakistan, that are not yet effective:

The following standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 01 January 2010 or later periods:

(i) IFRS-5 (Amendment), 'Measurement of Non Current Assets (or Disposal Groups) classified as held for sale

The amendment is part of the IASB's annual improvement project published in April 2009. This amendment provides clarification that IFRS-5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS-1still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The company will apply IFRS-5 (amendment) from 01 July, 2010. It is not expected to have a material impact on the company's financial statements.

(ii) IAS-1 (Amendment), 'Presentation of Financial Statement'

The amendment is part of the IASBs annual improvements project published in April 2009. This amendment provides clarification that potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to deffer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counter-party to settle in shares at any time. The company will apply IAS-1 (Amendment) from 01 July 2010. It is not expected to have a material impact on the companies financial statement.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after 01 January 2010 but are considered not to be relevant or do not have any significant effect on companies operations and are therefore not mentioned in these financial statement.

2.3 Changes in an accounting policies

2.3.1 "Revised IAS-1 Presentation of Financial Statement (2007)" became effective from January 1.2009. The revised standard prohibits the presentation of items of income and expenses (i.e. 'Non owner changes in equity') in the statement of changes in equity, requiring 'non-owners changes in equity' to be presented saperately from owners changes in equity. All non-owners changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The company has opted to present two statements; a profit and loss account and statement of comprehensive income.The change in accounting policy has not effected the assets and liabilities of the company for either the current or prior periods and hence restated balance sheet has not been presented.

2.3.2 The company has applied IAS-23 'Borrowing costs' in respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after January 01,2009 in accordance with the transition provisions of the standard. This change in accounting policy requires the company to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. There is no material effect of this change in accounting policy in the year ended June 30, 2010.

2.4 Accounting convention

These financial statements have been prepared under the Historical Cost Convention and modified by revaluation of land, building and plant and machinery during the year ended 30th September, 1996 and subsequently during financial year ending September 30, 2003.

2.5 FINANCIAL INSTRUMENTS AND MEASUREMENT

Financial assets

The company classifies it's financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of it's financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss:

Financial asset at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) **Loans and recievables:**

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities for greater than twelve months after the balance sheet date, which are classified as non current assets. Loan and receivables are classified as trade debts, loan and advances, deposits in the balance sheet.

c) **Available-for-sale financial assets:**

Available-for-sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless management intends to dispose of the investment within twelve months from the balance sheet date.

d) **Held to Maturity:**

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity and are carried at amortised cost.

All financial assets are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised at trade date i.e. the date on which the company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction cost for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

The fair value of quoted investments are based on current prices. If the market for the financial asset is not active (and for unlisted securities), the company measures the investment at cost less impairment in value if any.

Available for sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using effective interest rate method.

Financial assets are derocognised when the right to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities

All financial liabilities are recognised at the time when the company becomes a party to the contractual provision of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as derecogniton of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

Derivative financial instruments

These are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Off - Setting

A financial asset and financial liabilities of a particular party is offset against each other and the net amount is reported in the balance sheet if the company has a legally enforceable right to set off the recognised amount and also intends either to settle on a net basis or realise the asset and settle the liabilities simultaneously.

2.6 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exist, the assets recoverable amount is estimated and impairment losses are recognised.

2.7 Staff Retirement Benefits

The company operates an un-funded Gratuity Scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision for gratuity is made annually to cover obligation under the scheme. In accordance with the actuarial recommendations. Liability is provided annually on the basis of last drawn salary, length of service of the employee.

The company has not provided the provision for staff retirement benefits for the financial year 30 June 2010.

2.8 Property, Plant and Equipment

Property, Plant and Equipments are stated at cost or revaluation less accumulated depreciation except freehold land which is stated at cost or revaluation. Surplus arising out of revaluation of Property, Plant and Equipment is directly transferred to "Surplus on Revaluation of Property, Plant and Equipment".

Depreciation is charged to income applying the reducing balance method at the rates specified in note 3. Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain and losses on disposal of assets is taken to profit and loss account.

2.9 Assets subject to finance lease

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance lease balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Finance cost are charged to the Profit and Loss Account over the lease period. Property, plant and equipment acquired under finance leases are depreciated at the rates stated in note 3.

2.10 Taxation

2.10.1 Current

Provision for current taxation is based on the taxable income at the current rates of taxation (it may be pointed out that the taxable income falls under the presumptive tax regime) after taking into account tax credits and tax rebates available, if any.

2.11 Store and spares

These are valued at moving average cost.

2.12 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past events; it is probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

2.13 Cash and cash equivalent

For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand with banks and short term borrowings.

2.14 Revenue recognition

Local sales are recorded on dispatch of goods to the customers.

Export sales are accounted for on shipment basis and exchange difference if any on account of export proceeds are adjusted in the period of realization. Export bills receivable at the balance sheet date are accounted for at the value realised subsequently.

Processing charges are booked on completion of jobs.

2.15 Foreign Currency translation

Transactions in foreign currencies are translated into Pak rupees at the rates of the exchange approximately those prevailing on the date of transactions. Monetary assets and liabilities at rates of exchange ruling on the balance sheet date. Exchange differences are included in profit and loss account currently.

2.16 Borrowing Cost

Borrowing cost related to the financing of major projects is capitalized. All other borrowing costs are expensed as incurred.

2.17 Trade Debtors

Trade debtors originated by the company are recognized and carried at original invoice less any allowance for any uncollectible amounts. Known bad debts, if any, are written-off and provision is made against debts considered doubtful.

2.18 Contingencies and commitments

Capital commitments and contingencies, unless those are actual liabilities, are not incorporated in the accounts.

2.19 Trade and other payables

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

3 PROPERTY, PLANT AND EQUIPMENT

- Operating

Particulars	COST / REVALUATION				Rate	DEPRECIATION				W.D.V.
	As at July 1, 2009	Additions	Deletions	As at June 30, 2010	%	As at July 1, 2009	On Deletion	Charged for the year	To June 30, 2010	As at June 30, 2010
OWNED:										
Land - freehold	9,700,000	-	-	9,700,000		-	-	-	-	9,700,000
Building on freehold land	32,023,132	-	-	32,023,132	5	15,578,350	-	822,239	16,400,589	15,622,543
Plant and machinery	100,290,058	-	-	100,290,058	10	74,788,749	-	2,550,131	77,338,880	22,951,178
Electric installations	3,656,657	-	-	3,656,657	10	2,687,570	-	96,909	2,784,479	872,178
Weighing scales	277,230	-	-	277,230	10	195,582	-	8,165	203,747	73,483
Fire fighting equipment	102,220	-	-	102,220	10	77,696	-	2,452	80,148	22,072
Tube well	399,050	-	-	399,050	10	152,787	-	24,626	177,413	221,637
Sui gas installation	947,099	-	-	947,099	10	527,856	-	41,924	569,780	377,319
Electric appliances	779,955	-	-	779,955	10	579,150	-	20,081	599,231	180,724
Laboratory equipment	93,578	-	-	93,578	10	76,207	-	1,737	77,944	15,634
Office equipment	1,421,319	-	-	1,421,319	10	978,779	-	44,254	1,023,033	398,286
Furniture & fixture	635,980	-	-	635,980	10	476,498	-	15,948	492,446	143,534
Telephone installations	322,024	-	-	322,024	10	239,749	-	8,228	247,977	74,047
Vehicles	1,458,007	-	-	1,458,007	20	1,219,356	-	47,730	1,267,086	190,921
	152,106,309	-	-	152,106,309		97,578,329	-	3,684,424	101,262,753	50,843,556
LEASEHOLD:										
Vehicles	2,743,085	-	-	2,743,085	20	942,879	-	360,041	1,302,920	1,440,165
2010 Rupees	154,849,394	-	-	154,849,394		98,521,208	-	4,044,465	102,565,673	52,283,721
2009 Rupees	154,671,795	177,599	-	154,849,394		94,028,890	-	4,492,318	98,521,208	56,328,186

3.1 Depreciation charged for the year has been allocated as follows:

		2010 Rupees	2009 Rupees
Cost of goods sold	23	3,568,264	3,906,663
Administrative	24	476,201	585,655
		4,044,465	4,492,318

3.2 Had there been no revaluation of Property Plant and Equipment the cost would have been Rs. 71,483,207/- (2009: 71,483,207/-) as referred in note 13.2.

		2010 Rupees	2009 Rupees
4	**CAPITAL WORK IN PROGRESS**		
	Building	5,952,964	5,952,964
	Plant and machinery	882,379	882,379
		6,835,343	6,835,343
5	**LONG TERM DEPOSITS**		
	Comprise of securities/deposits in respect of:		
	Telephone	31,000	31,000
	Electricity	167,880	167,880
	Gas cylinder	721,700	21,700
	Office security	605,705	605,705
	Against letter of guarantee	-	557,000
	Askari leasing	291,971	291,971
	Other	33,828	33,828
		1,852,084	1,709,084
6	**STORES AND SPARES**	-	558,704
7	**TRADE DEBTORS**		
	Un Secured - Considered Good	15,417,262	18,441,698

These related to local sales and processing receipts and are unsecured but considered good by the management. However it shall be noted that the company has not maintained any aging for the debtors past due but not impaired as per IFRS - 7 Financial Instruments: Disclosures.

		2010 Rupees	2009 Rupees
8	**LOANS AND ADVANCES**		
	Advance to:		
	Employees - Considered Good	139,484	153,800
	Suppliers and contractor - Considered Good	21,484	465,683
		160,968	619,483
9	**DEPOSITS AND PREPAYMENTS**		
	Advance income tax	373,961	673,990
	Prepayments	40,597	95,656
		414,558	769,646
10	**TAX REFUNDS DUE FROM THE GOVERNMENT**		
	Sales tax refundable	1,514,191	1,514,191
	Income tax refundable	195,992	182,686
		1,710,183	1,696,877
11	**CASH AND BANK BALANCES**		
	In hand	20,223	25,898
	Cash with banks		
	On current accounts	366,690	548,319
	On deposits accounts	37,412	37,072
		404,102	585,391
		424,325	611,289

		2010 Rupees	2009 Rupees
12	**SHARE CAPITAL**		
	Authorized 8,000.000 (2009: 8,000,000) Ordinary shares of Rs. 10 each	80,000,000	80,000,000
	Issued subscribed and paid up 5,400,000 (2009: 5,400,000) Ordinary shares of Rs. 10 each issue for cash	54,000,000	54,000,000

13 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Revaluation of Property, Plant and Equipment on 30th September, 1996 has been carried out by independent valuers Messrs Tracom (Pvt) Ltd registered surveyors and valuation consultants on the basis of prevailing market value and replacement value in respect of land, building and plant and machinery respectively and further verified by M/s Yousaf Adil & Co. Chartered Accountants and later on revaluation was again carried out by independent valuers M/s Hamid Mukhtar & Co (Pvt) Ltd. on June 20, 2003 on the basis of market value and further verified by the same auditors.

		2010	2009
Surplus on revaluation of Property, Plant and Equipment Less: Incremental depreciation upto Sep 30,2002 transferred to statement of comprehensive income		17,601,709	18,774,454
Incremental depreciation for the year transferred to statement of comprehensive income	Note.13.1	1,061,992	1,172,745
		16,539,717	17,601,709

13.1 Surplus on revaluation of operating Property, Plant and Equipment to the extent of depreciation charged on appreciated value of corresponding operating Property, Plant and Equipment has been transferred to statement of comprehensive income (the prior year figures has been treated accordingly).

13.2 Effect of revaluation of Property, Plant and Equipment

Particulars	Original cost of Revalued Assets	Written Down Value At the time of Revaluation	Assessed value	Revaluation Surplus	Effect of Revaluation Conducted as Per Circular-29 dt 15-10-2002 on June 20, 2003	Net Effect of Revaluation
	A	B	C	D=C-B	E	F=D+E
Land	4,248,120	4,248,120	10,749,000	6,500,880	(1,049,000)	5,451,880
Building	15,766,650	13,585,266	20,657,000	7,071,734	(621,636)	6,450,098
Plant and Machinery	51,468,437	36,989,607	88,482,000	51,492,393	(6,583,404)	44,908,989
Vehicles	0	0	0	0	278,567	278,567
	71,483,207	54,822,993	119,888,000	65,065,007	(7,975,473)	57,089,534
Less: Charged to Profit & Loss on Destruction of Plant & Machinery	0	0	4,249,459	4,249,459	0	4,249,459
	71,483,207	54,822,993	115,638,541	60,815,548	(7,975,473)	52,840,075
Less: Incremental depreciation transferred to statement of comprehensive income upto 30.06.2009.						35,238,366
						17,601,709
Less: Incremental depreciation transferred to statement of comprehensive income for the year 30-06-10						1,061,992
						16,539,717

	2010 Rupees	2009 Rupees

14. LONG TERM LOANS

	2010 Rupees	2009 Rupees
Un secured		
Director	4,247,738	4,247,738
Sponsor	566,200	566,200
	4,813,938	4,813,938

14.1 Term of these interest free loans have not yet been settled. These loans, however, are being considered by the company's management as long term. As the repayment terms of loans have not been finalized. Amortized cost of these loans as required by IAS-39(Financial Instruments Recognition and Measurement) cannot be calculated with sufficient reliability.

15. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

	Upto one year	From one to five years	2010	2009
Minimum lease payments	783,804	1,312,679	2,096,483	2,880,287
Less: Financial charges allocated to future periods	225,589	121,987	347,576	659,647
	558,215	1,190,692	1,748,907	2,220,640
Less: Security deposits adjustable on expiry of lease terms	-	452,224	452,224	452,224
	558,215	738,468	1,296,683	1,768,416
Less: Current portion grouped under current liabilities			558,215	471,733
			738,468	1,296,683

The Company has executed lease agreements with Askari Leasing Limited and Faysal Bank Limited to acquire vehicle. The present values of minimum lease payments have been discounted using rates of approximately ranging from 15% to 28.59% per annum. The lease rentals are payable in various installments by April, 2013. In case of termination of the agreements, the Company will have to pay the agreed loss value in lump sum. These are secured against post dated cheques and personal guarantees of the Directors except nominee Director. The management intends to purchase the leased assets upon completion of respective lease terms.

16. DEFERRED LIABILITIES

		2010	2009
Staff Gratuity			
Balance as at July 01, 2009		1,405,933	2,226,841
Add: Amount recognized during the year	Note.16.1	-	-
		1,405,933	2,226,841
Less: Benefits paid during the year		745,496	820,908
		660,437	1,405,933

16.1 The company did not charged any provision on account of gratuity during the year. Moreover no actuarial valuation was carried out to ascertain the above said liability as at 30 June 2010.

17. SHORT TERM BORROWINGS

			2010	2009
Secured				
Royal Bank of Scotland, Multan Running Finance	42 Million	note - 17.1	39,852,373	42,432,513
			39,852,373	42,432,513

17.1

(a) This Short Term finance facility was obtained from The Royal Bank of Scotland (formerly ABN - AMRO Bank Pakistan Limited, Multan against sanctioned limit of Rs. 42 million (2009: Rs.42.500 M). It carrics mark up at the rate 0.5% above 3 Months Kibor against deposits, 2% above 3 Months Kibor against DSCs and 3.25% above 3 Months Kibor. During the year mark up rate was charged ranging from 12.89% to 16.97% per annum.

Security

This is secured against promissory note, letter of continuity, markup agreement of finances, deposits under lien in the shape of TDR and account under lien, DSC under lien encashment value Rs. 2.346M, first registered charge over current assets Rs. 30.000M, first registered charge over fixed assets Rs. 50.000M and personnel guarantees of directors.

As per the renewed facility it has been resolved that the above said facility will be broken in two parts and a TF facility of Rs. 13 Million will be disbursed to the company after the below said conditions are met:

a) Registeration of additional 1st Mortgage charge over land, building and machinary for Rs. 15 million with SECP

(b) Providing of fresh deposit under Bank's lien of Rs. 6 million.

		2010 Rupees	2009 Rupees
18	**INTEREST AND MARK UP ACCRUED ON LOANS**		
	Mark up accrued on short term finances - secured	1,500,661	1,085,348
19	**TRADE AND OTHER PAYABLES**		
	Trade creditors	28,910,523	30,961,534
	Advance Payment	9,950,578	12,919,075
	Accrued expenses	4,105,358	4,515,471
	Worker's Profit Participation Fund	61,979	-
	Worker's Welfare Fund	23,090	-
	Tax deducted at source	1,146,195	1,385,377
	Unclaimed dividend	103,962	103,962
		44,301,685	49,885,419
20	**PROVISION FOR TAXATION**		
	Opening balance	605,639	426,000
	Add: Provision for the year	348,911	605,639
		954,550	1,031,639
	Less: Paid during the year	-	-
	Adjusted during the year against the assessment completed	605,639	426,000
		348,911	605,639

20.1 Income/ Loss declared by the company for the financial year ending 30 June, 2009 (tax year 2009) have been deemed to be assessed as declared as per section 120 of the Income Tax Ordinance, 2001.

20.2 The company will submit the Income Tax Return for tax year 2010 on or before 31 December 2010. However on the basis of last submitted return, the income of the company is classified under presumptive tax regime and thus the company was not required to provide for deffered taxation as there was no timing difference.

21 CONTINGENCIES & COMMITMENTS

(I)Counter guarantee by Royal Bank of Scotland (Formerly ABN AMRO Pakistan Limited), Multan in favour of Sui Northern Gas Pipe Lines Limited amounting Rs. NIL (2009: Rs.5.57 million). The guarantee has expired on 21st March 2010

			2010 Rupees	2009 Rupees
22	**SALES / PROCESSING RECEIPTS**			
	Processing receipts		20,391,091	51,563,862
23	**COST OF GOODS SOLD**			
	Dyes and chemicals consumed	(Note 23.1)	558,704	16,801,142
	Salaries, wages and benefits		1,762,427	4,856,798
	Power and fuel		7,036,621	20,028,448
	Packing material		-	241,219
	Insurance		241,362	400,595
	Repair & maintenance		-	1,117,419
	Other factory overheads	(Note 23.2)	27,000	1,305,313
	Depreciation	(Note 3.1)	3,568,264	3,906,663
			13,194,378	48,657,597
23.1	Dyes & chemicals consumed is made up As follows			
	Balance as at 1st July, 2009		558,704	1,601,192
	Add: purchase during the year		-	15,758,654
	Material available for consumption		558,704	17,359,846
	Less: Closing stock as at June 30, 2010		-	558,704
			558,704	16,801,142

23.2 Other factory over heads include Rs. NIL (2009: Rs. 1,104,031/-) of commercial dyeing expenses.

			2010 Rupees	2009 Rupees
24	**ADMINISTRATIVE EXPENSES**			
	Salaries and benefits		977,725	1,639,268
	Traveling and conveyance		3,610	61,198
	Vehicle running and maintenance		700	103,526
	Communication expenses		80,012	84,778
	Printing & stationery		12,024	86,738
	Rent, rates and taxes		35,943	148,743
	Fee and subscription		163,170	109,390
	Entertainment		400	9,451
	Repair & maintenance		9,000	27,150
	Auditors' remuneration	(Note 24.1)	187,500	187,500
	Insurance expense		134,148	157,454
	Books and periodicals		-	620
	Donation		926	912
	Advertisement & Publicity		145,196	63,400
	Legal & professional charges		234,692	322,208
	Depreciation	(Note 3.1)	476,201	585,655
	Miscellaneous		17,000	9,347
			2,478,247	3,597,338
24.1	**Auditors' remuneration**			
	Statutory audit		177,500	177,500
	Out of pocket expenses		10,000	10,000
			187,500	187,500

		2010 Rupees	2009 Rupees
25	**DISTRIBUTION COST**		
	Marketing contract expenses	-	44,905
		-	44,905
26	**OTHER OPERATING INCOME**		
	Profit on saving accounts with banks	**1,839**	1,818
	Rental Income	**1,800,000**	1,800,000
	Creditors written back	**957,539**	824,612
	Misc Income	**71,250**	-
		2,830,628	2,626,430
27	**FINANCE COST**		
	Mark up short term running finance-secured	**6,006,132**	6,590,919
	Mark up on lease finance	**243,363**	312,630
	Bank charges	**9,959**	29,349
	Bank guarantee commission	**50,054**	88,983
		6,309,508	7,021,881
28	**TAXATION**		
	This relates to:		
	Current year	**348,911**	605,639
	Prior year	**54,954**	498,794
		403,865	1,104,433
29	**BASIC EARNING / (LOSS) PER SHARE**		
	Profit / (Loss) after Taxation attributable to ordinary shareholders	**750,652**	(6,235,862)
		Number of shares	
	No. of ordinary shares issued and subscribed at the end of the year	**5,400,000**	5,400,000
		Rupees	
	Earning / (Loss) per share	**0.14**	(1.15)

29.1 There is no dilutive effect on the basic earning per share.

			2010 Rupees	2009 Rupees
30	**CASH GENERATED FROM OPERATIONS**			
	profit /(loss) before taxation		1,154,517	(5,131,429)
	Adjustment for non cash charges and Other items:			
	Depreciation	(Note 3)	4,044,465	4,492,318
	Finance cost		6,309,508	7,021,881
	Workers Welfare Fund		23,090	-
	Provision for gratuity		-	-
			10,377,063	11,514,199
	Working capital changes	(Note 30.1)	(1,500,326)	6,508,600
			10,031,254	12,891,370
30.1	**WORKING CAPITAL CHANGES**			
	(increase) / decrease in current assets			
	Stores, spares and loose tools		558,704	1,145,629
	Trade debtors		3,024,436	8,051,516
	Loans and advances		458,515	932,209
	Deposits and prepayments		55,059	17,657
	Tax refunds due from the Government		(13,306)	860,525
	Other receivables		-	-
			4,083,408	11,007,536
	Increase/ (decrease) in current liabilities			
	Trade and other payables		(5,583,734)	(4,498,936)
			(1,500,326)	6,508,600
31	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances		424,325	611,289
	Short term borrowings		(39,852,373)	(42,432,513)
			(39,428,048)	(41,821,224)

32 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial assets and liabilities

	2010					
	Interest Rate Range Per annum	Mark up Bearing		Non Mark up Bearing		Total
		Masturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year	
Financial assets						
Long term deposits		-	-	-	1,852,084	1,709,084
Trade debtors		-	-	15,417,262		15,417,262
Loans and advances		-	-	160,968		160,968
Deposits and prepayments		-	-	414,558		414,558
Other receivables		-	-	-		-
Cash and bank balance	4.64% to 5.27%	37,412	-	386,913		424,325
2010 Rupees		37,412	-	16,379,701	1,852,084	18,269,197

2009	Interest Rate Range Per annum	Mark up Bearing Masturity up to one year	Mark up Bearing Maturity after one year	Non Mark up Bearing Maturity up to one year	Non Mark up Bearing Maturity after one year	Total
Financial assets						
Long term deposits		-	-	-	1,709,064	1,709,064
Trade debtors			-	18,441,698		18,441,698
Loans and advances		-	-	619,483		619,483
Deposits and prepayments			-	769,646	-	769,646
Other receivables		-	-		-	-
Cash and bank balance	4.50% to 5.53%	37,072	-	574,217	-	611,289
2009 Rupees		37,072	-	20,405,044	1,709,064	22,151,200

2010	Interest Rate Range Per annum	Mark up Bearing Masturity up to one year	Mark up Bearing Maturity after one year	Non Mark up Bearing Maturity up to one year	Non Mark up Bearing Maturity after one year	Total
Financial Liabilities						
Long term loans		-	-	-	4,813,938	4,813,938
Short term borrowings	12.80% to 16.97%	39,852,373		-	-	39,852,373
Interest and mark up accrued on loans		-	-	1,500,661	-	1,500,661
Trade and other payables		-	-	43,070,421	-	43,070,421
2010 Rupees		39,852,373	-	44,571,082	4,813,938	89,237,393

2009	Interest Rate Range Per annum	Mark up Bearing Masturity up to one year	Mark up Bearing Maturity after one year	Non Mark up Bearing Maturity up to one year	Non Mark up Bearing Maturity after one year	Total
Financial Liabilities						
Long term loans		-	-	-	4,813,938	4,813,938
Short term borrowings	12.89% to 18.72%	42,432,513	-	-	-	42,432,513
Interest and mark up accrued on loans		-	-	1,085,348	-	1,085,348
Trade and other payables		-		48,500,042	-	48,500,042
2009 Rupees		42,432,513		49,585,390	4,813,938	96,831,841

2010	Interest Rate Range Per annum	Mark up Bearing Masturity up to one year	Mark up Bearing Maturity after one year	Non Mark up Bearing Maturity up to one year	Non Mark up Bearing Maturity after one year	Total
Off Balance Items						
Guarantees		-	-	-		-

2009	Interest Rate Range Per annum	Mark up Bearing Masturity up to one year	Mark up Bearing Maturity after one year	Non Mark up Bearing Maturity up to one year	Non Mark up Bearing Maturity after one year	Total
Off Balance Items						
Guarantees		-	-	557,000	-	557,000

32.1 FOREIGN EXCHANGE RISK MANAGEMENT

The Company is exposed to foreign exchange risk arising from various currency exposures. Company uses forward exchange contracts, to hedge their exposure to foreign currency risk in the local reporting currency. For financial reporting purposes, Company designates contracts with Company's bankers as fair value hedges or cash flow hedges, as appropriate.

(a) Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The company does not believe it is exposed to major concentration of credit risk, however to manage any possible exposure the company applies approved credit limits to its customers.

The management monitors and limits Company's exposure to credit risk through monitoring of client's credit exposure review and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy.

The Company is exposed to credit risk on long-term deposits, trade debts, advances, deposits, other receivables and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	June 30, 2010	June 30, 2009
Long term deposits	1,852,084	1,709,084
Trade debtors	15,417,262	18,441,698
Deposits and prepayments	414,558	769,646
Cash and bank balances	424,325	611,289

(b) Interest / Mark up rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. The Company is exposed to interest rate risk for loans obtained from the financial institutions and liabilities against assets subject to finance lease, which have been disclosed in the relevant note to the financial statements.

(c) Capital Management:

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. Capital includes ordinary share capital and reserves.

(d) Foreign currency risk

Foreign currency risk may arise against receivable export sale to foreign undertakings, but the company is not exposed to major currency risk.

(e) Liquidity risk

Liquidity risk reflects company's inability in raising funds to meet commitments. The management closely monitors company's liquidity and cash flow position to ensure adequate liquidity and manage the assets keeping in view the liquidity position.

32.2 Fair value of assets and liabilities

The carrying value of financial assets and liabilities reflected in the financial statements approximated their fair value.

33. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the accounts for the year for remuneration, including certain benefits to the chief executive and executive of the company is as follows:

Description	2010		2009	
	Chief Executive	Executives	Chief Executive	Executivbe
Basic salary	-	-	-	-
House rent	-	-	-	-
Other allowances	-	-	-	-
	-	-	-	-
No. of persons	1	-	1	-

33.1 The Chief Executive and Director are also provided with free use of cellular phone.

	2010 Rupees	2009 Rupees
34. TRANSACTIONS WITH RELATED PARTIES	-	-

35. RATED CAPACITY AND ACTUAL PRODUCTION

	Rated Capacity	Capacity attained	
		2010	2009
Knitting	1,200,000 Kgs	NIL	107,004
Dying	1,450,000 Kgs	42,495	1,142,495
Stitching	239,000 pcs/month	NIL	NIL

35.1 Under utilisation was mainly due to limitation in working capital and non availability of customer orders.

36. NUMBER OF EMPLOYEES

	2010	2009
The No. of employees as at June 30, 2010	23	30

37. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 6th October, 2010 by the Board of Directors of the company.

38. FITURES

- in the accounts have been rounded off to the nearest rupee.

Mr. Zulfiqar Ali
Chief Executive

Mr. Nafees Iqbal
Director

PATTERN OF SHAREHOLDING AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

Sr. #	Folio Number	Name	Shares Held	% Total Capital
Directors, Chief Executive Officer, and their spouse and minor children				
1	2416	MR. ZULFIQAR ALI	1,000	0.0185
2	2455	CH. NASEER AHMAD	1,000	0.0185
3	2454	MR. ABDUL RASHEED	1,000	0.0185
4	2468	SYED HAMEED-UD-DIN	500	0.0093
5	2467	MR. IMTIAZ HUSSAIN QURESHI	500	0.0093
6	2469	MR. NADEEM ABBAS	500	0.0093
7	2475	MR. NAFEES IQBAL	500	0.0093
8	2411	MR. ABDUL SHAKOOR	1,000	0.0185
Running Total of:		**Directors, Chief Executive Officer, Company Secretary and their spouses and minor children**	**6000**	**0.1112**
Bank Development Financial Institutions, Non Banking Financial Institutions				
1	CDC-66	A.H.K.D. SECURITIES (PVT) LTD.	1,012	0.0187
2	2446	HUSSAIN MILLS LIMITED	66,000	1.2222
3	CDC-79	TIME SECURITIES (PVT) LTD.	10,500	0.1944
4	CDC-25	Y.S. SECURITIES & SERVICES (PVT) LTD.	1,000	0.0185
Running Total of:		**Bank Development Financial Institutions, Non Banking Financial Institutions**	**78,512**	**1.4539**
General Public (Local)				
Running Total of:		**General Public (Local)**	5,315,488	98.4349
		GRAND TOTAL	**5,400,000**	**100.0000**
Shareholders having more than 10% voting rights:				
	3	MR. REHAN AHMED	3241000	60.0185
	2456	MRS. SAHIRA NISHAT	582000	10.7778
		TOTAL	3,823,000	70.7963

FORM 34

(SECTION 236)

PATTERN OF HOLDING OF SHAREHOLDERS

AS AT 30-06-2010

Number of Shareholders	Shareholding From	To To	Total Number of Shares Held	Percentage of Total Capital
18	1	100	1243	0.02
523	101	500	257723	4.77
22	501	1000	21715	0.40
37	1001	5000	86214	1.60
11	5001	10000	91476	1.69
6	10001	15000	70000	1.30
2	15001	20000	37494	0.69
1	25001	30000	27602	0.51
1	35001	40000	36000	0.67
1	45001	50000	49000	0.91
1	60001	65000	64800	1.20
1	65001	70000	66000	1.22
1	70001	75000	70233	1.30
1	80001	85000	85000	1.57
1	100001	105000	100500	1.86
1	110001	115000	114000	2.11
1	405001	410000	409000	7.57
1	570001	575000	571000	10.57
1	3240001	3245000	3241000	60.02
631			5400000	100.00

Sr. #	Name	No. of Shareholders	Shares Held	Percentage of Capital
1.	Directors, Chief Executive Officer, and their spouse and minor children	8	6,000	0.1112
2.	General Public (Local)	619	5,315,488	98.4349
3.	Others	4	78,512	1.4539
		631	5,400,000	100.0000