Reliance Weaving Mills Limited

Balance Sheet

As at 30 June 2010

	Note	2010 Rupees	2009 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
40,000,000 (2009: 40,000,000) ordinary shares of Rs. 10 each		**400,000,000**	400,000,000
30,000,000 (2009: 30,000,000) preference shares of Rs. 10 each		**300,000,000**	300,000,000
		700,000,000	700,000,000
Issued, subscribed and paid up capital	*7*	**308,109,370**	308,109,370
Reserves	*8*	**337,711,742**	295,081,250
Unappropriated profit/ (loss)		**391,345,945**	(11,806,609)
		1,037,167,057	591,384,011
Surplus on revaluation of fixed assets		**452,271,382**	452,271,382
Non-current liabilities			
Long term finances and other payables	*9*	**382,912,500**	745,979,944
Loans from related parties - subordinated loan	*10*	**37,000,000**	37,000,000
Liabilities against assets subject to finance lease	*11*	**32,266,635**	-
Deferred liabilities	*12*	**13,725,541**	9,937,745
		465,904,676	792,917,689
Current liabilities			
Current portion of non-current liabilities - secured		**244,317,841**	70,983,894
Finances under mark up arrangements and other credit facilities - secured	*13*	**1,759,218,920**	1,949,206,748
Trade and other payables	*14*	**238,037,985**	161,612,965
Markup accrued on loans and other payables	*15*	**85,032,085**	108,344,263
		2,326,606,831	2,290,147,870
Contingencies and commitments	*16*		
		4,281,949,946	4,126,720,952

	Note	2010 Rupees	2009 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	*17*	**2,335,124,974**	2,284,500,802
Intangible assets	*18*	**689,061**	803,905
Long term deposits		**15,400,340**	6,880,340
		2,351,214,375	2,292,185,047
Deferred tax asset	*19*	**2,047,584**	28,518,318
Current assets			
Stores, spares and loose tools	*20*	**138,241,056**	121,409,577
Stock in trade	*21*	**962,680,922**	1,124,587,468
Trade debts	*22*	**365,827,339**	198,108,108
Loans and advances	*23*	**119,544,047**	94,332,540
Trade deposits and prepayments	*24*	**399,990**	1,295,193
Other receivables	*25*	**3,019,541**	3,034,414
Short term investments	*26*	**225,923,857**	179,681,368
Tax refunds due from the government	*27*	**76,976,959**	65,335,600
Cash and bank balances	*28*	**36,074,276**	18,233,319
		1,928,687,987	1,806,017,587
		4,281,949,946	4,126,720,952

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore:

Chief Executive Officer **Director**

Reliance Weaving Mills Limited
Profit and Loss Account
For the year ended 30 June 2010

	Note	2010 Rupees	2009 Rupees
Sales - net	29	**6,773,391,678**	4,337,454,782
Cost of sales	30	**(5,610,014,716)**	(3,665,167,446)
Gross profit		**1,163,376,962**	672,287,336
Distribution and marketing expenses	31	**(112,388,244)**	(66,543,510)
Administrative expenses	32	**(70,276,753)**	(54,477,363)
Other operating expenses	33	**(52,658,966)**	(94,518,075)
Finance cost	34	**(449,962,287)**	(646,855,152)
Other operating income	35	**617,084**	15,719,138
Profit/ (Loss) before taxation		**478,707,796**	(174,387,626)
Taxation	36	**(75,555,242)**	(2,651,780)
Profit/ (Loss) after taxation		**403,152,554**	(177,039,406)
Earning/ (Loss) per share - basic and diluted	43	**13.08**	(5.75)

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore: **Chief Executive Officer** **Director**

Reliance Weaving Mills Limited
Statement of Comprehensive Income
For the year ended 30 June 2010

	2010 Rupees	2009 Rupees
Profit / (Loss) for the year	**403,152,554**	(177,039,406)
Other comprehensive income:		
Gain on remeasurement at fair value of investment	**45,361,239**	-
Deferred tax on gain	**(2,730,747)**	-
	42,630,492	-
Total comprehensive income for the year	**445,783,046**	(177,039,406)

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore: **Chief Executive Officer** **Director**

Reliance Weaving Mills Limited

Cash Flow Statement

For the year ended 30 June 2010

	Note	2010 Rupees	2009 Rupees
Cash flows from operating activities			
Cash generated from operations	*41*	**1,044,258,871**	811,343,417
Finance cost paid		**(485,536,038)**	(443,906,083)
Taxes paid		**(53,816,423)**	(39,531,985)
Staff retirement benefits paid		**(8,226,305)**	(6,156,140)
Net cash generated from operating activities		**496,680,105**	321,749,209
Cash flows from investing activities			
Fixed capital expenditure		**(110,579,788)**	(112,623,678)
Proceed from disposal of property, plant and equipment		**5,588,884**	1,460,568
Long term deposits		**(8,520,000)**	(4,459,000)
Short term investments made		**(881,250)**	-
Proceeds from disposal of short term investments		**-**	75,000,000
Net cash used in investing activities		**(114,392,154)**	(40,622,110)
Cash flows from financing activities			
Proceeds from long term finances		**-**	190,000,000
Repayment of long term finances - net		**(74,459,166)**	(173,464,374)
Repayment of long term finances - related party		**(100,000,000)**	-
Payment on settlement of derivative financial instrument		**-**	(42,321,648)
Net cash used in financing activities		**(174,459,166)**	(25,786,022)
Net increase in cash and cash equivalents		**207,828,785**	255,341,077
Cash and cash equivalents at beginning of the year		**(1,930,973,429)**	(2,186,314,506)
Cash and cash equivalents at end of the year	*42*	**(1,723,144,644)**	(1,930,973,429)

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore: **Chief Executive Officer** **Director**

Reliance Weaving Mills Limited
Statement of Changes in Equity
For the year ended 30 June 2010

		Capital reserve		Revenue reserve		
	Share capital	Share premium	Fair value reserve	General reserve	Unappropriated profit/(loss)	Total
	---Rupees---					
Balance as at 1 July 2008	308,109,370	41,081,250	-	354,000,000	65,232,797	768,423,417
Transfer to unappropriated profit	-	-	-	(100,000,000)	100,000,000	-
Total comprehensive income for the year	-	-	-	-	(177,039,406)	(177,039,406)
Balance as at 30 June 2009	308,109,370	41,081,250	-	254,000,000	(11,806,609)	591,384,011
Total comprehensive income for the year	-	-	42,630,492	-	403,152,554	445,783,046
Balance as at 30 June 2010	**308,109,370**	**41,081,250**	**42,630,492**	**254,000,000**	**391,345,945**	**1,037,167,057**

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore: **Chief Executive Officer** **Director**

1 Legal status and nature of business

Reliance Weaving Mills Limited ("the Company") is incorporated in Pakistan as a public limited company on 7 April 1990 under the Companies Ordinance, 1984 and its shares are quoted on Karachi and Lahore Stock Exchanges. The Company commenced its operations on 14 May 1990 and is principally engaged in the manufacture and sale of yarn and fabric. The registered office of the Company is situated at Second Floor, Trust Plaza, L.M.Q. Road, Multan.

2 Basis of preparation and statement of compliance

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

3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for land and investments classified as available for sale which are stated at fair value and obligations in respect of gratuity schemes which are measured at present value.

4 Use of estimates and judgments

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 the reported amounts of 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 the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

- **Income taxes**

  In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past.

- **Investment stated at fair value**

  Management has determined fair value of investment by using quotations from active market conditions and information about the financial instrument. These estimates are subjective in nature and involve some uncertainties and matters of judgment and therefore, cannot be determined with precision.

- **Property, plant and equipment**

  The Company reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

- **Intangible assets**

  The Company reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortization charge and impairment.

- **Stock-in-trade and stores and spares**

  The Company reviews the net realizable value of stock-in-trade and stores, spares and loose tools to assess any diminution in their respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores, spares and loose tools with a corresponding effect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

- **Staff retirement benefits**

  Certain actuarial assumptions have been adopted as disclosed in note 6.8 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under these schemes in those years.

5 Initial application of new standards, interpretations or amendments to existing standards and forthcoming requirements

5.1 Initial application

Starting 01 July 2009 the Company has changed its accounting policies in the following areas.

- IAS 1 (Revised) - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All non-owner 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 (income statement) and a statement of other comprehensive income. Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on the earnings per share.

- IAS 23 (Amendment) 'Borrowing costs' (effective for annual periods beginning on or after 1 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Company’s current accounting policy for borrowing costs is in compliance with this amendment and therefore there is no effect on the financial statements.

- IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings per share.

- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009). This IFRS replaces IAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes, and introduced detailed disclosures regarding the reportable segments and products. As the changes in this standard only result in additional disclosures, there is no impact on earnings per share.

5.2 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective from the dates specified below and are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

- IFRS 2 (amendment)-Share-based payments and withdrawal of IFRIC 8- Scope of IFRS 2 and IFRIC 11- Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities.

- International Accounting Standard (IAS) 24 (revised): Related Party Disclosures (effective for annual period beginning on or after 1 January 2011). The amendments to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.

- Amendments to IAS 32: Classification of Rights Issues (effective for period beginning on or after 1 February 2010). Under the amendment to IAS 32 rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own nonderivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own nonderivative equity instruments.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for period beginning on or after 1 July 2010). IFRIC 19 clarifies the accounting when an entity extinguish the liability by issuing its own equity instruments to the creditor.

- Amendments to IFRIC 14: Prepayment of a Minimum Funding Requirement (effective for period beginning on or after 1 July 2011). IFRIC 14, IAS 19 –The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognise prepayments of minimum funding contributions, as an asset.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second and third annual improvements project. The effective dates for these amendments vary by standards.

6 Summary of significant accounting policies

6.1 Property, plant and equipment

Property, plant and equipment (except freehold land and capital work-in-progress) are stated at cost less accumulated depreciation and any identified impairment losses, if any. Freehold land is stated at revalued amount. Capital work-in-progress is stated at cost. Cost in relation to certain property, plant and equipment signifies historical cost and borrowing cost as reflected in note 6.20.

Depreciation charge is based on the reducing balance method whereby the cost or revalued amount of an asset is written off to profit and loss account over its estimated useful life after taking into account the residual value if material. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month proceeding the disposal respectively.

The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Surplus on revaluation of land is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value.

Maintenance and normal repairs are charged to income as and when incurred. Renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably, and the assets so replaced, if any, are derecognised.

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 recongnised as an income or expense.

Where the carrying amount of assets exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

6.2 Intangible assets

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight-line method over a period of ten years.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which that asset is disposed off.

6.3 Leases

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance leases

Leases in terms of which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to income over the lease term.

Assets acquired under a finance lease are depreciated over the estimated useful life of the asset on the reducing balance method at the rates given in note 17. Depreciation of leased assets is charged to income.

Residual value and the useful life of an asset are reviewed at least at each financial year-end.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired, while no depreciation is charged for the month in which the asset is disposed off.

6.4 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determined whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognised if the carrying amount exceed its estimated recoverable amount.

6.5 Borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.

6.6 Functional and presentation currency

Items included in the financial statement of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

6.7 Taxation

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

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

6.8 Employee retirement benefit- gratuity

The main features of the scheme operated by the Company for its employees are as follows:

Defined benefit plan

The Company operates an unfunded gratuity scheme for all employees according to the terms of employment subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period.

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2010. Projected Unit Credit Method, based on the following significant assumptions is used for valuation of the scheme:

	2010	2009
- Discount rate	**12%**	12%
- Expected increase in eligible salary	**11%**	11%
- Average expected remaining working life time	**8 years**	6 years
- Mortality rate	EFU (61-66) mortality table	

The Company's policy with regard to actuarial gains/ losses is to follow minimum recommended approach under

6.9 Trade and other payables

Financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

Other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

6.10 Provisions

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

6.11 Derivative financial instruments and hedging activities

These are initially recorded at fair value on the date on which a derivative contract is entered into and subsequently measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items. Derivatives are carried as asset when the fair value is positive and liabilities when the fair value is negative.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

Amounts accumulated in equity are recognised in profit and loss account in the periods when the hedged item will effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Any gains or losses arising from change in fair value derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

6.12 Investments

Investments in equity instruments of associated companies

Associated companies, where the Company holds 20% or more of the voting power of the investee company and where the Company has significant influence, but not control, over the financial and operating policies, are accounted for using the equity method.

Investment at fair value through profit and loss

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer margin are classified as "investment at fair value through profit or loss", these are initially recognised on trade date at cost being the fair value of the consideration given and derecognised by the Company on the date it commits to sell them off. Transaction costs are charged to profit and loss account as and when incurred. At each balance sheet date, fair value is determined on the basis of year-end bid prices obtained from stock exchange quotations. Any resultant increase/ (decrease) in fair value is recognised in the profit and loss account for the year.

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 cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method.

Available for sale

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. Available for sale investments are recognised initially at fair value plus any directly attributable transaction costs. After initial recognition, these are stated at fair values unless fair values can not be measured reliably, with any resulting gains and losses being taken directly to equity until the investment is disposed or impaired. At each reporting date, these investments are remeasured at fair value, unless fair value cannot be reliably measured. At the time of disposal, the respective surplus or deficit is transferred to profit and loss currently. Fair value of quoted investments is their bid price on Karachi Stock Exchange at the balance sheet date. Unquoted investments, where active market does not exist, are carried at cost as it is not possible to apply any other valuation methodology.

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognised on the trade date which is the date that the company commits to purchase or sell the investment.

Available for sale, investments are tested for impairment at each reporting date. Investments are considered to be impaired if there is a significant or prolonged decline in the fair value of the investment at the reporting date.

6.13 Stores, spares and loose tools

Usable stores, spares and loose tools are valued principally at weighted average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

6.14 Stock in trade

These are stated at the lower of cost and net realisable value except for waste stock which is valued at net realisable value.

Cost has been determined as follows:

Raw materials	Weighted average cost
Work in process and finished goods	Cost of direct materials, labour and appropriate manufacturing overheads.

Materials in transit comprises of invoice value plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

6.15 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

6.16 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 comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as component of cash and cash equivalents for the purpose of cash flow statement.

6.17 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company looses 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.

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

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item of financial instruments.

6.18 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognized when the risks and rewards of ownership are transferred i.e. on dispatch in case of local sales and on preparation of bill of lading in case of exports and when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return.

Mark up income is accrued on a time basis, by reference to the principal outstanding and at the agreed mark up rate applicable.

Dividend income is recognized when the right to receive payment is established.

6.19 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the income currently.

6.20 Borrowing cost

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the borrowings on an effective interest basis.

6.21 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, intangibles, stores

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

6.22 Dividend

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

6.23 Related party transactions

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

7 Issued, subscribed and paid up capital

2010	2009		**2010**	2009
Number of shares			**Rupees**	Rupees
17,801,875	17,801,875	Ordinary shares of Rs. 10/- each fully paid in cash	**178,018,750**	178,018,750
13,009,062	13,009,062	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	**130,090,620**	130,090,620
30,810,937	30,810,937		**308,109,370**	308,109,370

8 Reserves

Composition of reserves is as follows:

	Note		
Capital reserve			
- Share premium	*8.1*	**41,081,250**	41,081,250
- Fair value reserve - net of tax		**42,630,492**	-
		83,711,742	41,081,250
Revenue reserve			
- General reserve		**254,000,000**	254,000,000
		337,711,742	295,081,250

8.1 This reserve can be utilised by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

9 Long term finances and other payables

These are composed of:

	Note	**2010 Rupees**	2009 Rupees
Loan from banking companies - secured			
Long term loans	*9.1*	**621,896,976**	696,356,142
Other payables		**-**	20,607,696
Loan from related party - unsecured			
Reliance Commodities (Private) limited	*9.2*	**-**	100,000,000
		621,896,976	816,963,838
Less: Current portion		**238,984,476**	70,983,894

	Note	2010 Rupees	2009 Rupees

10 Loans from related parties - subordinated loan

Unsecured			
Faisal Ahmed Mukhtar		**37,000,000**	37,000,000

This represents interest free subordinated loan obtained from the director of the Company.

11 Liabilities against assets subject to finance lease

	Note	2010 Rupees	2009 Rupees
Present value of minimum lease payments	*11.3*	**37,600,000**	**-**
Less: Current portion shown under current liabilities		**5,333,365**	**-**
		32,266,635	

11.1 The minimum lease payments have been discounted at an implicit interest of 3months kibor plus 400 basis points (2009: Nil) to arrive at their present value. Rentals are paid in quarterly installments. The Company has the option to purchase the assets after expiry of the lease term and has the intention to exercise such option. There are no financial restrictions imposed by lessor.

11.2 Taxes, repairs and insurance costs are to be borne by the Company. In case of termination of the agreement, the Company is to pay the entire rent for the unexpired period of lease agreement.

11.3 The amount of future minimum lease payments alongwith their present value and the period during which they will fall due are:

	Minimum lease payments	Future finance charge	Present value of lease liability	
			2010	2009
	------------------------------(R u p e e s)------------------------------			
Years				
Not later than one year	**11,125,570**	**5,792,205**	**5,333,365**	-
Later than one year and not later than five years	**44,502,288**	**12,235,653**	**32,266,635**	-
	55,627,858	**18,027,858**	**37,600,000**	-

	Note	2010 Rupees	2009 Rupees

12 Deferred liabilities

	Note	2010 Rupees	2009 Rupees
12.1 Staff retirement benefits-gratuity			
Present value of defined benefit obligation		**23,712,397**	11,582,208
Unrecognised actuarial (loss)/ gain		**(9,986,856)**	(1,644,463)
Liability as at June 30		**13,725,541**	9,937,745
12.1.1 Change in present value of net staff gratuity			
Liability as at July 01		**9,937,745**	7,501,973
Charge to profit and loss account		**12,014,101**	8,591,912
Payments made during the year		**(8,226,305)**	(6,156,140)
Liability as at June 30		**13,725,541**	9,937,745
12.1.2 Movement in liability for defined benefit obligation			
Present value of defined benefit obligations as at 30 June 2009		**11,582,208**	7,453,859
Current service cost for the year		**10,624,236**	7,438,812
Interest cost for the year		**1,389,865**	745,386
Benefit paid during the period		**(8,226,305)**	(6,156,140)
Actuarial loss on present value of defined benefit obligation		**8,342,393**	2,100,291
Present value of defined benefit obligations as at 30 June 2010		**23,712,397**	11,582,208
12.1.3 Movement in unrecognised actuarial (losses)/gains			
Unrecognised actuarial gains/(losses) as at 30 June		**(1,644,463)**	455,828
Actuarial losses arising during the year		**(8,342,393)**	(2,100,291)
Unrecognised actuarial gains/(losses) as at 30 June		**(9,986,856)**	(1,644,463)
12.1.4 Charge for the year			
Additional liability charged for the year		**-**	407,714
Current service cost for the year		**10,624,236**	7,438,812
Interest cost for the year		**1,389,865**	745,386
		12,014,101	8,591,912

12.1.5 Historical Information for gratuity plan

	2010	2009	2008	2007	2006
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligation	**23,712,397**	11,582,208	7,453,859	2,909,747	5,350,043
Experience adjustment arising on plan liabilities	**8,342,393**	2,100,291	41,213	(1,357,871)	*

* It is impracticable to determine the amount of experience adjustments during the period.

	Note	**2010**	2009
		Rupees	Rupees
13 Finances under mark up arrangements and other credit facilities - secured			
Short term running finances	*13.1*	**1,289,293,846**	1,731,536,828
Export finances	*13.2*	**469,925,074**	217,669,920
		1,759,218,920	1,949,206,748

13.1 Short term running finances are available from different commercial banks under mark up arrangements amount to Rs. 3,612 million (2009: Rs. 2,665 million). The rates of mark up range from 13.53% to 20% (2009: 12.87% to 17.50%) on the outstanding balance.

13.2 The Company has obtained export finance facilities from commercial banks aggregating to Rs. 2,255 million (2009: Rs. 2,590 million) being the sub limit of the finance mentioned in note 13.1. The rates of mark up range from 2.01% to 6.10 % (2009 : 3.85% to 6.75%) on the outstanding balance.

13.3 Of the aggregate facility of Rs. 1,455 million (2009: Rs. 1,155 million) for opening letter of credits and Rs.340 million (2009: Rs. 183 million) for guarantees being the sub limit of finances mentioned in note 13.1, the amount utilized as at June 30, 2010 was Rs. 503.434 million (2009: Rs. 21.38 million) and Rs. 52.569 million (2009: Rs. 52.143 million) respectively.

13.4 The aggregate facilities are secured by a hypothecation / pari pasu charge on all present and future current assets of the Company including stock in trade, trade debts and lien on export bills.

	Note	2010 Rupees	2009 Rupees

14 Trade and other payables

	Note	2010 Rupees	2009 Rupees
Trade creditors		**121,127,785**	102,725,880
Accrued liabilities		**70,741,285**	44,337,588
Advances from customers		**5,930,633**	-
Due to related parties	*14.1*	**1,028,887**	10,679,607
Workers' profit participation fund payable		**25,583,908**	-
Workers' welfare fund payable		**9,680,007**	-
Unclaimed dividend		**3,547,817**	3,550,285
Others		**397,663**	319,605
		238,037,985	161,612,965

14.1 Due to related parties

	2010 Rupees	2009 Rupees
Fatima Sugar Mills Limited	**-**	3,130,194
Reliance Cotton (Private) Limited	**1,028,887**	1,244,888
Reliance Commodities (Private) Limited	**-**	2,383,747
Fazal Cloth Mills Limited	**-**	3,920,778
	1,028,887	10,679,607

This relates to normal business of the Company and is interest free.

15 Mark up accrued on loans and other payables

	2010 Rupees	2009 Rupees
Long term finances - secured	**13,036,243**	13,801,050
Liabilities against assets subject to finance lease	**860,171**	-
Finances under mark-up arrangements and other credit facilities - secured	**71,135,671**	94,543,213
	85,032,085	108,344,263

16 Contingencies and commitments

16.1 Contingencies

(i) The Company has provided bank guarantees from Habib Bank Limited in favour of Sui Northern Gas Pipelines Limited amounting to Rs. 52.569 million (2009: Rs. 52.143 million) on account of payment of dues against gas sales etc.

(ii) The Company is contingently liable for Rs. 1.4 million Iqra surcharge on account of non-compliance of the provisions of SRO. 1140(1) 97 in respect of 1,320 bales of raw cotton imported in the year 2001. However, all the contingencies previously attached to the particular case have already been decided in favour of the Company. The management is confident, since Alternate Dispute Resolution Committee recommendations and subsequent decisions by FBR were in favour of the Company, that the liability of Iqra surcharge on account of exportation of goods so manufactured from imported cotton, will be positively waived off.

(iii) Foreign bills discounted outstanding as at 30 June 2010 aggregated Rs. 629.104 million (2009: Rs. 383.32 million).

16.2 Commitments

	2010 Rupees	2009 Rupees
Letter of credits for:		
Capital expenditures	**431,957,030**	17,249,741

18 Intangible assets

	2010 Rupees	2009 Rupees
Computer software- License fee		
Net carrying value basis		
Opening net book value	**803,905**	918,749
Amortization during the year	**(114,844)**	(114,844)
	689,061	803,905
Gross carrying value basis		
Cost	**1,148,440**	1,148,440
Accumulated amortisation	**(459,379)**	(344,535)
	689,061	803,905
Rate of amortisation	**10%**	10%

The amortisation for the year has been allocated to administrative expenses.

19 Deferred tax asset/ (liability)

	2010		
	Opening	**Charge/ (reversal)**	**Closing**
		---------------------Rupees---------------------	
Taxable temporary difference			
Accelerated tax depreciation	**(68,404,969)**	**11,231,063**	**(57,173,906)**
Available for sale securities	**-**	**(2,730,747)**	**(2,730,747)**
Assets subject to finance lease	**-**	**(123,747)**	**(123,747)**
Deductible temporary difference			
Unabsorbed tax losses	**93,445,076**	**(32,200,248)**	**61,244,828**
Provision for retirement benefits	**3,478,211**	**(2,647,055)**	**831,156**
	28,518,318	**(26,470,734)**	**2,047,584**

	2009		
	Opening	Charge/ (reversal)	Closing
		---------------------Rupees---------------------	
Taxable temporary difference			
Accelerated tax depreciation	(25,035,759)	(43,369,210)	(68,404,969)
Deductible temporary difference			
Unabsorbed tax losses	21,699,678	71,745,398	93,445,076
Provision for retirement benefits	2,809,940	668,271	3,478,211
	(526,141)	29,044,459	28,518,318

	2010 Rupees	2009 Rupees

20 Stores, spares and loose tools

	2010 Rupees	2009 Rupees
Stores	**70,014,503**	68,219,923
Spares	**68,362,825**	53,347,285
Loose tools	**93,750**	72,391
	138,471,078	121,639,599
Less: Provision for obsolete items	**230,022**	230,022
	138,241,056	121,409,577

20.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

21 Stock in trade

	Note	2010 Rupees	2009 Rupees
Raw materials	*21.1*	**640,800,743**	564,463,117
Work in process		**104,223,423**	71,770,350
Finished goods		**202,675,708**	469,350,685
Waste		**14,981,048**	19,003,316
		962,680,922	1,124,587,468

21.1 This includes items in-transit as at 30 June 2010 amounting to Rs. 9.7 million (2009: Rs. 2.57 million).

22 Trade debts

	2010 Rupees	2009 Rupees
Considered good		
Export - secured	**207,481,587**	167,550,900
Local - unsecured	**158,345,752**	30,557,208
Considered doubtful - unsecured	**690,748**	690,748
	366,518,087	198,798,856
Less: Provision for doubtful debts	**690,748**	690,748
	365,827,339	198,108,108

23 Loans and advances

		2010 Rupees	2009 Rupees
Advances - considered good			
- To employees	*23.1*	**39,990,196**	30,223,782
- To suppliers		**49,851,715**	46,749,114
Advances for issue of shares - related party	*23.2*	**8,352,010**	8,352,010
Due from related parties	*23.3*	**6,977,495**	8,011,639
Letters of credit - margins, deposits, opening charges, etc.		**14,372,631**	995,995
		119,544,047	94,332,540

23.1 It includes amount of Rs. 383,407 (2009: Rs. 60,000) due from executives.

23.2 Advance for issuance of shares has been given to Fatima Fertilizer Company Limited.

	2010 Rupees	2009 Rupees
23.3 Due from related parties		
Fatima Fertilizer Company Limited	**534,114**	3,560,205
Gadoon Packing Limited	**914,950**	749,350
Reliance Fabrics Limited	**19,997**	19,997
Pak Arab Fertilizers Limited	**741,754**	2,542,873
Air One (Pvt.) Ltd	**-**	8,251
Fazal Cloth Mills Limited	**3,405,784**	-
Multan Cloth Finishing Factory	**1,360,896**	1,130,963
	6,977,495	8,011,639

These relate to normal business of the Company and are interest free.

Maximum aggregate amount due from associated undertakings at any month end during the year was Rs. 12.015 million.(2009: Rs.8.011 million)

	2010 Rupees	2009 Rupees
24 Trade deposits and prepayments		
Security deposits	**171,840**	171,840
Prepayments	**228,150**	1,123,353
	399,990	1,295,193
25 Other receivables		
Short weight claims	**2,479,482**	2,479,482
Others	**540,059**	554,932
	3,019,541	3,034,414
26 Short term investment - *available for sale*		
Fatima Fertilizer Company Limited		
Opening cost of 17,968,136 (2009: 17,968,136) ordinary shares of Rs. 10 each - at cost	**179,681,368**	179,681,368
Cost of 62,500 (2009: Nil) shares purchased during the year at Rs. 14.10 per share	**881,250**	-
Closing cost of 18,030,636 shares	**180,562,618**	179,681,368
Percentage of equity held 0.9% (2009: 2.01%)		
Add: Gain on remeasurement at fair value	**45,361,239**	-
	225,923,857	179,681,368

26.1 Fatima Fertilizer Company Limited is an associated undertaking as per Companies Ordinance, 1984 however, for the purpose of measurement this has been classified as available for sale as the Company cannot exercise significant influence over the operating and financial decisions of this associate.

	2010 Rupees	2009 Rupees

27 Tax refunds due from the government

Export rebate	**8,347,576**	6,367,972
Income tax	**26,943,475**	24,942,307
Sales tax	**38,711,502**	32,449,815
Special Excise duty	**2,974,406**	1,575,506
	76,976,959	65,335,600

28 Cash and bank balances

Balances at banks		
Current accounts:		
- Pak rupee	**26,011,462**	16,470,509
- Foreign currency - US $ 924.60 (2009: US $ 924.60)	**78,961**	74,985
	26,090,423	16,545,494
Saving accounts		
- Pak rupee	**7,977,948**	148,446
Cash in hand	**2,005,905**	1,539,379
	36,074,276	18,233,319

28.1 Effective mark up rate in respect of saving accounts ranges from 5% to 5.5% (2009: 5% to 5.7%) per annum.

	2010 Rupees	2009 Rupees

29 Sales - net

Export	**4,669,534,444**	3,183,480,248
Local	**2,039,845,056**	1,121,883,344
Waste	**149,758,299**	88,752,203
	6,859,137,799	4,394,115,795
Less: Commission	**90,223,289**	60,557,791
	6,768,914,510	4,333,558,004
Add: Doubling income	**1,870,200**	2,248,175
Export rebate	**2,606,968**	1,648,603
	4,477,168	3,896,778
	6,773,391,678	4,337,454,782

	Note	**2010 Rupees**	2009 Rupees

30 Cost of sales

	Note	**2010 Rupees**	2009 Rupees
Raw material consumed		**4,372,088,332**	2,843,604,425
Stores and spares consumed		**143,846,821**	104,069,989
Packing material consumed		**51,442,889**	36,601,804
Salaries, wages and other benefits	*30.1*	**286,038,957**	241,139,595
Fuel and power		**394,715,255**	315,427,248
Insurance		**7,917,833**	8,982,900
Repairs and maintenance		**10,127,749**	5,455,528
Depreciation on property, plant and equipment	*17.3*	**88,491,905**	82,960,288
Utilities		**610,426**	583,551
Other expenses		**16,490,377**	12,937,467
		5,371,770,544	3,651,762,795
Opening stock of work in process		**71,770,350**	57,445,266
Closing stock of work in process		**(104,223,423)**	(71,770,350)
		(32,453,073)	(14,325,084)
Cost of goods manufactured		**5,339,317,471**	3,637,437,711
Opening stock - Finished goods		**469,350,685**	508,461,147
- Waste		**19,003,316**	7,622,589
		488,354,001	516,083,736
Closing stock - Finished goods		**(202,675,708)**	(469,350,685)
- Waste		**(14,981,048)**	(19,003,316)
		(217,656,756)	(488,354,001)
		5,610,014,716	3,665,167,446

30.1 Salaries, wages and other benefits include Rs. 11,472,526 (2009: Rs. 14,446,784) in respect of staff retirement benefits.

31 Distribution and marketing expenses

	Note	**2010 Rupees**	2009 Rupees
Ocean freight and shipping		**41,086,593**	27,418,207
Local freight		**35,025,500**	20,341,658
Export development surcharge		**11,113,608**	8,616,721
Forwarding and clearing expenses		**18,133,998**	7,621,533
Marketing expenses		**3,210,894**	613,848
Other expenses		**3,817,651**	1,931,543
		112,388,244	66,543,510

		Note	2010 Rupees	2009 Rupees
32	**Administrative expenses**			
	Salaries, wages and other benefits	*32.1*	**30,280,788**	26,484,762
	Printing and stationery		**1,665,410**	1,291,089
	Motor vehicle running		**2,955,290**	2,679,924
	Traveling and conveyance		**9,105,704**	4,662,076
	Rent, rates and taxes		**2,212,072**	2,664,987
	Telephone and postage		**6,625,908**	4,064,624
	Fee, subscription and periodicals		**1,334,700**	746,522
	Utilities		**1,049,783**	1,833,872
	Insurance		**288,454**	255,571
	Repairs and maintenance		**4,557,480**	2,041,619
	Entertainment		**683,392**	581,331
	Advertisement		**34,440**	63,530
	Depreciation on property, plant and equipment	*17.3*	**4,039,456**	4,100,514
	Amortization of intangible	*18*	**114,844**	114,844
	Professional services	*32.2*	**4,911,144**	2,374,226
	Other expenses		**417,888**	517,872
			70,276,753	54,477,363

32.1 Salaries, wages and other benefits include Rs. 541,573 (2009: Rs. 859,728) in respect of staff retirement benefits.

		Note	2010 Rupees	2009 Rupees
32.2	**Professional services**			
	The charges for professional services include the following in respect of auditors' remuneration for:			
	KPMG Taseer Hadi & Co.			
	Statutory audit		**500,000**	262,500
	Half yearly review		**150,000**	150,000
	Taxation services		**100,000**	-
	Out of pocket expenses		**50,000**	84,000
			800,000	496,500
33	**Other operating expenses**			
	Loss on derivative financial instruments		**-**	90,419,871
	Mark up on associate		**8,943,771**	-
	Provision for workers' profit participation fund		**25,583,908**	-
	Provision for workers' welfare fund		**9,680,007**	-
	Donations	*33.1*	**8,451,280**	4,098,204
			52,658,966	94,518,075
33.1	**Donations**			
	Names of donees in which a director or his spouse has an interest:			
	Farrukh Mukhtar Girls High school (Mian Faisal, Director is the Trustee)		**-**	669,464
	Farrukh Mukhtar Hospital, Multan (Mian Faisal, Director is the Trustee)		**587,000**	404,400
	Mian Mukhtar Trust, Multan (Mian Faisal, Director is the Trustee)		**7,556,000**	850,000

	Note	2010 Rupees	2009 Rupees
34 Finance cost			
Interest and mark up on			
- Long term finances		**53,556,788**	79,100,389
- Lease finance		**860,171**	-
- Finances under mark up arrangements and other credit facilities		**351,789,484**	376,444,413
Exchange loss		**8,346,123**	159,213,099
Bank charges and commission		**35,409,721**	32,097,251
		449,962,287	646,855,152
35 Other operating income			
Income from financial assets:			
Profit on short term investment		**-**	3,360,251
Income from related party:			
Mark up on advances to associate		**-**	11,413,004
Income from non financial assets:			
Gain on sale of operating assets	*17.4*	**564,629**	671,123
Others		**52,455**	274,760
		617,084	945,883
		617,084	15,719,138
36 Taxation			
For the year			
- Current		**46,695,344**	31,834,802
- Deferred		**23,739,987**	(29,044,459)
		70,435,331	2,790,343
Prior years			
- Current		**5,119,911**	(138,563)
		75,555,242	2,651,780

36.1 The provision for current period taxation represents the tax liability under section 169 of the Income Tax Ordinance, 2001. Accordingly tax charge reconciliation has not been prepared and presented.

37 Remuneration of Director and Executives

37.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the director and executives of the Company is as follows:

	Director		Executives	
	2010 Rupees	2009 Rupees	**2010 Rupees**	2009 Rupees
Managerial remuneration	**1,547,911**	1,200,000	**3,749,802**	3,775,800
House rent allowance	**-**	-	**1,687,561**	840,000
Utility allowance	**-**	-	**188,340**	540,000
Bonus	**-**	-	**1,261,785**	534,654
	1,547,911	1,200,000	**6,887,488**	5,690,454
Number of persons	**1**	1	**8**	8

The Company also provides the directors and executives with free use of company maintained cars and allowances for utility bills.

37.2 **Remuneration to other directors**

Meeting fee amounting to Rs. 20,000 (2009: Rs. 15,000) was paid to a director during the year.

39 Transactions with related parties

The related parties comprise associated undertakings and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 37. Other significant transactions with related parties are as follows:

Description	**2010 Rupees**	2009 Rupees
Purchase of goods and services	**44,236,245**	87,011,732
Sale of goods and services	**9,574,305**	9,549,406
Sale of generator	**4,210,103**	-
Mark up		
- Income	**1,078,435**	-
- Expense	**10,022,206**	11,413,004
Loan obtained	**-**	100,000,000
Loan repayment	**100,000,000**	-

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

40 Capacity and production

	2010	2009
Unit 1 (Weaving)		
Number of looms installed	**91**	91
Capacity after conversion into 50 picks - Meters	**15,175,486**	15,175,486
Actual production of fabric after conversion into 50 picks - Meters	**12,653,406**	12,207,799
Unit 2 (Weaving)		
Number of looms installed	**204**	204
Capacity after conversion into 50 picks - Meters	**41,332,426**	41,332,426
Actual production of fabric after conversion into 50 picks - Meters	**41,167,201**	40,053,434

Under utilisation of available weaving capacity is due to:
- Change of articles required
- Width loss due to specification of the cloth
- Due to normal maintenance

	2010	2009
Unit 3 (Spinning)		
Number of spindles installed	**14,400**	14,400
Capacity after conversion into 20 count - Kgs	**4,849,904**	4,849,904
Actual production of yarn after conversion into 20 count - Kgs	**3,180,598**	3,760,496
Unit 4 (Spinning)		
Number of spindles installed	**21,120**	21,120
Capacity after conversion into 20 count - Kgs	**7,113,193**	7,113,193
Actual production of yarn after conversion into 20 count - Kgs	**5,543,446**	6,324,289

Under utilisation of available spinning capacity is due to:
- Processing mix of coarser and finer counts
- Electricity shut downs

		2010 Rupees	2009 Rupees
41 Cash generated from operations			
Profit / (loss) before tax		**478,707,796**	(174,387,626)
Adjustments for non cash charges and other items:			
Depreciation on property, plant and equipment		**92,531,361**	87,060,802
Amortization of intangible assets		**114,844**	114,844
Staff retirement benefits accrued		**12,014,101**	8,591,912
Gain on disposal of property, plant and equipment		**(564,629)**	(671,123)
Accrued loss on derivative financial instruments - net		**-**	(6,131,954)
Provision for workers' profit participation fund		**25,583,908**	-
Provision for workers' welfare fund		**9,680,007**	-
Finance cost (excluding exchange loss)		**441,616,164**	487,642,053
Profit before working capital changes		**1,059,683,552**	402,218,908
Effect on cash flow due to working capital changes:			
(Increase)/ decrease in current assets			
- Stores, spares and loose tools		**(16,831,479)**	23,613,093
- Stock in trade		**161,906,546**	218,557,860
- Trade debts		**(167,719,231)**	146,732,860
- Loans and advances		**(25,211,507)**	(17,068,536)
- Trade deposits and prepayments		**895,203**	973,289
- Tax refunds due from government (excluding income tax)		**(9,640,191)**	(7,035,528)
- Other receivables		**14,873**	12,761,253
Increase in current liabilities			
- Trade and other payables			
(excluding workers' welfare fund and workers' profit participation fund)		**41,161,105**	30,590,218
		(15,424,681)	409,124,509
Cash generated from operations		**1,044,258,871**	811,343,417
42 Cash and cash equivalents			
Cash and bank balances	*28*	**36,074,276**	18,233,319
Finances under mark up arrangements and other credit facilities	*13*	**(1,759,218,920)**	(1,949,206,748)
Cash and cash equivalent		**(1,723,144,644)**	(1,930,973,429)

43 Earning/ (Loss) per share

43.1 Basic

Earning/ (loss) for the year	***Rupees***	**403,152,554**	(177,039,406)
Weighted average number of ordinary shares	***Number***	**30,810,937**	30,810,937
Basic earning/ (loss) per share	***Rupees***	**13.08**	(5.75)

43.2 Diluted

There is no dilution effect on the basic earning/ (loss) per share as the Company has no such commitments.

45 Non adjusting event after balance sheet date

The board of directors in their meeting held on _________________ has proposed a final cash dividend for the year ended 30 June 2010 of Rs. _______ per share (i.e ____%), amounting to Rs. ______ million (2009: Rs. Nil per share) for approval of the members of the Company at the annual general meeting to be held on _________________. These financial statements do not include the effect of this proposed final cash dividend and will be accounted for subsequent to year end.

46 Date of authorisation

These financial statements are authorised for issue on __________________ by the board of directors of the company.

47 General

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

Lahore: **Chief Executive Officer** **Director**

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9.1 Long term loans

Loan #	Lender - Nature	2010 Rupees	2009 Rupees	Rate of interest per annum	Number of remaining installments	Interest payable
1.	United Bank Limited - Demand Finance I	**33,450,000**	39,025,000	3 M KIBOR + 2.25%	6 equal quarterly installments ending December 2011	Quarterly
2.	United Bank Limited - Demand Finance III	**165,000,000**	165,000,000	3 M KIBOR + 1.85%	6 equal half yearly installments ending December 2012	Quarterly
3.	National Bank of Pakistan - Demand Finance-II	**252,000,000**	252,000,000	3 M KIBOR + 1.75%	8 equal half yearly installments ending December 2013	Quarterly
4.	Habib Bank Limited - LTF - EOP -II	**12,263,000**	15,328,000	7%	4 equal half yearly installments ending January 2012	Quarterly
5.	Habib Bank Limited - LTF - EOP -III	**59,229,500**	74,029,500	7%	4 equal half yearly installments ending January 2012	Quarterly
6.	Habib Bank Limited - Fixed Asset Financing II	**3,454,476**	13,848,642	6 M KIBOR + 1%	1 half yearly installment ending December 2010	Quarterly
7.	First National Bank Modaraba	**29,000,000**	47,125,000	3 M KIBOR + 1.25%	8 equal quarterly installments ending June 2012	Quarterly
8.	Standard Chartered Bank Limited	**67,500,000**	90,000,000	3 M KIBOR + 2%	6 equal quarterly installments ending July 2011	Quarterly
		621,896,976	696,356,142			

Security

Loan No. 1

This loan is secured by a first charge on fixed assets of Unit 3 (Spinning) of the Company.

Loan No. 2

This loan is secured by a first pari passu charge on all fixed assets of Unit 4 (Spinning) of the Company.

Loan No. 3

This loan is secured by a first charge over the assets of Unit 4 (Spinning) of the Company.

Loan No. 4, 5 and 6

These are secured by a first pari passu charge on all fixed assets of Unit 2 (Weaving) and Unit 4 (Spinning) of the Company.

Loan No 7.

This loan is secured by a first pari passu charge on all present and future fixed assets and personal guarantees of the directors.

Loan No 8.

This loan is secured by ranking charge on all present and future fixed assets of the Company, however ranking charge will be upgraded to 1st pari passu charge.

9.2 It represented an unsecured loan carrying interest at a rate of 3M KIBOR + 3% on quarterly basis. The entire principle was repaid by one bullet payment on August 2010.

	Note	2010 Rupees	2009 Rupees
17 Property, plant and equipment			
Operating property, plant and equipment	*17.1*	**2,322,904,792**	2,272,586,223
Capital work in progress	*17.5*	**12,220,182**	11,914,579
		2,335,124,974	2,284,500,802

17.1 Operating property, plant and equipment

Particulars	Reconciliation of net carrying value						Reconciliation of gross carrying value			
	Net book value as at 1 July 2009	**Surplus on revaluation**	**Additions**	**Disposals (at NBV)**	**Depreciation charge**	**Net book value as at 30 June 2010**	**Cost as at 30 June 2010**	**Accumulated depreciation as at 30 June 2010**	**Net book value as at 30 June 2010**	**Depreciation rate (% per annum)**
	(------Rupees------)						(------Rupees------)			
Owned										
Freehold land	486,972,575	-	-	-	-	486,972,575	486,972,575	-	486,972,575	-
Buildings	272,990,389	-	130,308	-	(13,346,504)	259,774,193	402,592,538	(142,818,345)	259,774,193	5
Plant and machinery	1,390,290,069	-	81,367,871	(4,210,103)	(69,392,292)	1,398,055,545	2,567,150,589	(1,158,586,102)	1,408,564,487	5
Electric installations	75,981,963	-	994,377	-	(3,756,576)	73,219,764	106,194,179	(32,974,415)	73,219,764	5
Factory equipment	12,424,789	-	7,219,519	-	(810,697)	18,833,611	26,466,088	(7,632,477)	18,833,611	5
Office equipment	9,135,828	-	1,626,101	-	(941,968)	9,819,961	15,641,355	(5,821,394)	9,819,961	10
Electric appliances	5,165,034	-	1,265,514	-	(562,341)	5,868,207	10,461,957	(4,593,750)	5,868,207	10
Furniture and fixtures	6,210,863	-	451,721	-	(606,900)	6,055,684	10,371,250	(4,315,566)	6,055,684	10
Vehicles	13,414,713	-	4,030,737	(814,152)	(2,490,588)	14,140,710	32,421,885	(18,281,175)	14,140,710	20
Leased										
Plant and machinery	-	-	50,788,037	-	(623,495)	50,164,542	50,788,037	(11,132,437)	39,655,600	5
2010	**2,272,586,223**	**-**	**147,874,185**	**(5,024,255)**	**(92,531,361)**	**2,322,904,792**	**3,709,060,453**	**(1,386,155,661)**	**2,322,904,792**	

Particulars	Reconciliation of net carrying value						Reconciliation of gross carrying value			
	Net book value as at 1 July 2008	**Surplus on revaluation**	**Additions**	**Disposals (at NBV)**	**Depreciation charge**	**Net book value as at 30 June 2009**	**Cost as at 30 June 2009**	**Accumulated depreciation as at 30 June 2009**	**Net book value as at 30 June 2009**	**Depreciation rate (% per annum)**
	(------Rupees------)						(------Rupees------)			
Owned										
Freehold land	33,380,993	452,271,382	1,320,200	-	-	486,972,575	486,972,575	-	486,972,575	-
Buildings	190,373,352	-	92,332,014	-	(9,714,977)	272,990,389	402,462,230	(129,471,841)	272,990,389	5
Plant and machinery	1,405,153,536	-	54,738,094	-	(69,601,561)	1,390,290,069	2,498,330,118	(1,108,040,049)	1,390,290,069	5
Electric installations	40,862,545	-	37,631,107	-	(2,511,689)	75,981,963	105,199,802	(29,217,839)	75,981,963	5
Factory equipment	11,800,968	-	1,218,192	-	(594,371)	12,424,789	19,246,569	(6,821,780)	12,424,789	5
Office equipment	9,362,534	-	685,474	-	(912,180)	9,135,828	14,015,254	(4,879,426)	9,135,828	10
Electric appliances	4,774,117	-	928,607	-	(537,690)	5,165,034	9,196,443	(4,031,409)	5,165,034	10
Furniture and fixtures	6,481,664	-	347,588	-	(618,389)	6,210,863	9,919,529	(3,708,666)	6,210,863	10
Vehicles	11,869,985	-	4,904,117	(789,444)	(2,569,945)	13,414,713	31,317,230	(17,902,517)	13,414,713	20
2009	1,714,059,694	452,271,382	194,105,393	(789,444)	(87,060,802)	2,272,586,223	3,576,659,750	(1,304,073,527)	2,272,586,223	

17.2 The Company carried out the revaluation of land on 1 December 2008. The valuation was conducted by an independent valuer. Land was revalued on the basis of fair market value.

Revaluation of land resulted in surplus of Rs. 452.271 million.

	Note	2010 Rupees	2009 Rupees
17.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	*30*	**88,491,905**	82,960,288
Administrative expenses	*32*	**4,039,456**	4,100,514
		92,531,361	87,060,802

Had there been no revaluation, the net book value of land would have been amounting to Rs.34.70 million.

17.4 Disposal schedule of operating property, plant and equipment:

Particulars	Cost	Accumulated depreciation	Book value	Claim/ Sales proceeds	Gain/ (loss)	Mode of disposal	Sold to
	(----------	----------	Rupees	----------	----------)		
Plant and machinery							
Generator set	12,547,400	8,337,297	4,210,103	4,210,103	-	Sale	Fatima Sugar Mills (Private) Limited
Vehicles							
Vehicle MLD-5054 (CULTUS)	600,800	433,461	167,339	167,339	-	Sold to employee	Mr. Hamid - Fatima Fertilizer Company Ltd.
Vehicle VEH-8345 (COURE)	475,990	244,721	231,269	231,269	-	Sale	Mr. Asif - Fatima Sugar Mills (Private) Limited
Vehicle MNV-8 (TOYOTA COROLLA)	1,089,970	980,857	109,113	300,012	**190,899**	Sold to employee	Mr. Anjum Jamil
Vehicle MLF-1620 (COURE)	601,000	382,777	218,223	601,000	**382,777**	Sale	Pak Arab Fertilizer Limited
HONDA CD 70 MLN-6343	49,207	22,786	26,421	24,604	**(1,817)**	Sold to employee	Mr. Nadeem Ghafoor
HONDA CD 70 MNM-8682	52,490	19,130	33,360	26,245	**(7,115)**	Sold to employee	Mr. Vakeel Ahmad
HONDA CD 70 MNM-9814	56,625	28,198	28,427	28,312	**(115)**	Sold to employee	Mr. Zulfiqar Ali
2010	**15,473,482**	**10,449,227**	**5,024,255**	**5,588,884**	**564,629**		

Particulars	Cost	Accumulated depreciation	Book value	Claim/ Sales proceeds	Gain/ (loss)	Mode of disposal	Sold to
	(----------	----------	Rupees	----------	----------)		
Vehicles							
Vehicle MLG-281 (BALENO)	815,145	489,956	325,189	510,000	184,811	Sale	Aftab Hussain New Town Suraj Miani Multan
Vehicle MLF-8399 (BALENO)	815,605	490,233	325,372	560,000	234,628	Sale	Muhammad Saleem Ahmad Colony Chah Bajay Multan
Vehicle MNT-5775 (Khyber)	367,809	348,219	19,590	250,000	230,410	Insurance claim	EFU General Insurance Limited
HONDA CD 70 MLL-586	56,500	31,911	24,589	45,000	20,411	Insurance claim	EFU General Insurance Limited
HONDA CD 70 MNN-08-3331	56,390	4,545	51,845	43,677	(8,168)	Sale	Shahid Iqbal, Rasool Pura Lukker Mandi Road Multan
HONDA CD 70 MNM-08-2368	54,290	11,431	42,859	51,890	9,031	Insurance claim	EFU General Insurance Limited
2009	**2,165,739**	**1,376,295**	**789,444**	**1,460,567**	**671,123**		

	2010 Rupees	2009 Rupees
17.5 Capital work in progress		
Civil works and buildings	**11,913,288**	5,288,334
Plant and machinery	**291,894**	-
Electric Installation	**15,000**	6,626,245

12,220,182	11,914,579

38 Segment Reporting

38.1 Reportable segments

The Company's reportable segments are as follows:

- Spinning segment - production of different quality of yarn using natural and artifici
- Weaving segment - production of different quality of greige fabric using yarn

Information regarding the Company's reportable segments is presented below:

38.2 Segment revenue and results

Following is an analysis of the Company's revenue and results by reportable segments

	Spinning	Weaving
	------------------------Rupees--------	
For the year ended 30 June 2010		
Sales - net	**1,930,367,882**	**4,843,023,796**
Cost of sales	**(1,216,623,127)**	**(4,393,391,589)**
Gross profit	**713,744,755**	**449,632,207**
Distribution and marketing expenses	**(29,379,056)**	**(83,009,188)**
Administrative expenses	**(27,060,186)**	**(43,216,567)**
Finance cost - long term loan	**(39,986,152)**	**(13,570,636)**
	(96,425,394)	**(139,796,391)**
Profit/ (loss) before tax and unallocated expenses	**617,319,361**	**309,835,816**
Unallocated income and expenses		
Other operating expenses		
Finance cost - others		
Other operating income		
Taxation		
Profit after taxation		

38.2.1 Revenue reported above represents revenue generated from external customers. Inter se the year amounts to Rs. 1,490,408,871.

38.2.2 The accounting policies of the reportable segments are the same as the Company's a described in note 6 to the financial statements. Administrative expenses are apportioned o and distribution & marketing expenditures are allocated on the basis of actual amoun segments. Finance cost relating to long term loan is also allocated on the basis of purpos it is obtained. This is the measure reported to management for the purposes of resou assessment of segment performance.

38.3 Gross revenue from major products and services

Fabric export sales
Yarn export sales
Fabric local sales
Yarn local sales
Waste local sales

38.4 Gross revenue from major customers

Spinning

Weaving

38.5 **Geographical information**

38.5.1 The Company's gross revenue from external customers by geographical location is detaile

Pakistan

Asia

Europe

America

38.5.2 All non-current assets of the Company as at 30 June 2010 are located and operating in Pal

38.6 **Segment assets and liabilities**

38.6.1 Reportable segments' assets and liabilities are reconciled to total assets and liabilities as fc

For the year ended 30 June 2010

	Spinning	**Weaving**
	------------------------	**-Rupees--------**
Segment assets for reportable segment	**1,296,251,986**	**1,026,652,806**
Unallocated corporate assets		
Total assets as per balance sheet		
Segment liabilities for reportable segment	**507,267,355**	**114,629,621**
Unallocated corporate liabilities		
Total liabilities as per balance sheet		

38.6.2 For the purposes of monitoring segment performance and allocating resources between se

- operating property, plant & equipment is allocated to reportable segments and all o under unallocated corporate assets; and
- long term loan is allocated to reportable segment and all other liabilities (i.e) parties, liabilities against assets subject to finance lease, deferred liabilities, trade short term borrowings and accrued mark up are held under unallocated corporate as

38.7 **Other segment information**

For the year ended 30 June 2010	**Spinning**	**Weaving**
	------------------------	**-Rupees--------**
Capital expenditure	**43,678,903**	**66,900,885**
Depreciation/ Amortization		
Cost of sales	**43,893,341**	**44,598,564**
Administrative expenses	**1,097,820**	**2,941,636**
	44,991,161	**47,540,200**

38.8 Segments' information for prior years has not been disclosed as the necessary informati and the cost to develop it would be excessive.

al fibers

Total

6,773,391,678
(5,610,014,716)
1,163,376,962
(112,388,244)
(70,276,753)
(53,556,788)
(236,221,785)
927,155,177
(52,658,966)
(396,405,499)
617,084
(75,555,242)
403,152,554

gment sales during

ccounting policies
n the basis of sales
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rce allocation and

2010 Rupees
3,858,016,780
811,517,664
1,015,911,007
1,023,934,049
149,758,299
6,859,137,799
815,738,455

2,299,451,833
3,115,190,288

2010
Rupees

d below:

2,189,603,355
3,836,518,853
808,617,939
24,397,652
6,859,137,799

istan.

llows:

Total

2,322,904,792
1,959,045,154
4,281,949,946
621,896,976
2,170,614,531
2,792,511,507

gments

ther assets are held

loans from related and other payable, ssets.

Total

110,579,788
88,491,905
4,039,456
92,531,361

on is not available

44 Financial Instruments

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. responsible for developing and monitoring the Company's risk management policies.

44.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to pe and arises principally from trade receivables and investment in debt securities. Out of the total financial assets of Rs. 750. Rs.494.685 million), the financial assets which are subject to credit risk amounted to Rs. 750.789 million (2009: Rs.494.685 mill

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the c position, past experience and other factors. Sales tenders and credit terms are approved by the tender approval committee. necessary, advance payments are obtained from certain parties. Export sales made to major customers are secured through le management has set a maximum credit period of 15 days in respect of yarn and fabric parties to reduce the credit risk.

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The Company's pol financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or oth

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximun risk at the reporting date is:

	2010 Rupees
Investments	**225,923,857**
Loans and advances	**119,544,047**
Trade debts	**365,827,339**
Deposits and prepayments	**399,990**
Other receivables	**3,019,541**
Bank balances	**36,074,276**
	750,789,050

The Company believes that it is not exposed to major concentration of credit risk.

Investments comprise of ordinary shares of Fatima Fertilizer Company Limited, listed on Karachi Stock Exchange. The fair valu amounts to Rs. 225.92 million as at 30 June 2010. Long term and short term credit rating of the investee company is "A" and issued by PACRA.

The trade debts as at the balance sheet date are classified as follows:

	2010 Rupees
Foreign	**207,481,587**
Domestic	**158,345,752**
	365,827,339

The maximum exposure to credit risk before any credit enhancements for trade receivables at the reporting date by type of custo

	2010 Rupees
Fabric receivables export	**199,790,446**
Yarn receivables export	**7,691,140**
Fabric receivables local	**105,530,179**
Yarn receivables local	**52,815,574**
	365,827,339

The aging of trade receivables at the reporting date is:

Past due 1-30 days	**119,693,977**
Past due 30-150 days	**235,674,431**
Past due 150 days	**10,458,931**
	365,827,339

The movement in the allowance for impairment in respect of trade receivables is as follows:

	2010 Rupees
Opening balance	**690,748**
Provision during the year	**-**
	690,748
Written off	**-**
Closing balance	**690,748**

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables pa reasonable grounds to believe that the amounts will be recovered in short course of time.

44.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's app liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not m liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the liquidity. In addition, the Company has obtained running finance facilities from various commercial banks to meet any deficit, the short term liquidity commitments.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	Carrying amount	Contractual Cash flows	Six months or less	Six to twelve months	One to two years
	--------------------	--------------------	R u p e e s	--------------------	--------------------
2010					
Financial Liabilities					
Long term loan and other payable	621,896,976	702,260,389	188,079,492	145,370,837	236,326,820
Loan from related parties	37,000,000	37,000,000	-	-	-
Liabilities against assets subject to finance lease	37,600,000	55,627,858	5,562,786	5,562,786	11,125,572
Trade and other payables	238,037,985	238,037,985	238,037,985	-	-
Interest and mark-up accrued	85,032,085	85,032,085	85,032,085	-	-
Short term borrowings	1,759,218,920	1,792,786,308	1,792,786,308	-	-
	2,778,785,966	**2,910,744,625**	**2,309,498,656**	**150,933,623**	**247,452,392**
2009					
Financial Liabilities					
Long term loan and other payable	816,963,838	1,108,596,572	62,114,899	133,074,958	324,014,720
Loan from related parties	37,000,000	37,000,000	-	-	-
Trade and other payables	161,612,965	161,612,965	161,612,965	-	-
Interest and mark-up accrued	108,344,263	108,344,263	108,344,263	-	-
Short term borrowings	1,949,206,748	2,230,726,376	-	2,230,726,376	-
	3,073,127,814	3,646,280,176	332,072,127	2,363,801,334	324,014,720

44.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will af income or the value of its holdings of financial instruments.

44.3.1 Currency risk

The Company is exposed to currency risk on import of raw materials and stores and spares and export of goods mainly denomi and on foreign currency bank accounts. The Company's exposure to foreign currency risk for US Dollars is as follows:

	2010 Rupees
Foreign debtors	**207,481,587**
Foreign currency bank account	**78,961**
Export finances	**(469,925,074)**
Gross balance sheet exposure	**(262,364,526)**
Outstanding letters of credit	**(503,433,733)**
Net exposure	**(765,798,259)**

The following significant exchange rate has been applied:

Average rate Reporting date rate

	Average rate		Reporting
	2010	2009	**2010**
	Rupees	Rupees	**Rupees**
USD to PKR	**84.26**	78.89	**85.40**

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, post-tax would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of export fi debtors.

	2010
	Rupees
Effect on profit or loss	
USD	**33,384,123**
Effect on balance sheet	
USD	**43,195,703**

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post tax loss / profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of

44.3.2 **Interest rate risk**

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Effective rate		Carrying
	2010	2009	**2010**
Financial assets	**%**	%	**Rupees**
Fixed rate instruments			
Long term loan	**7**	7	**71,492,500**
Financial liabilities			
Variable rate instruments			
Long term loan	**13.43-15.60**	12.80-17.75	**550,404,476**
Liabilities against assets subject to finance lease		-	**37,600,000**
Short term running finance	**13.53-20**	12.87-17.50	**1,289,293,846**
Export finances	**2.01-6.10**	3.85-6.75	**469,925,074**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by t below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is perf basis for 2009.

	Profit and l
	Increase
	Rupees
As at 30 June 2010	
Cash flow sensitivity-Variable rate financial liabilities	**(23,472,234)**
As at 30 June 2009	
Cash flow sensitivity-Variable rate financial liabilities	**(30,789,499)**

The sensitivity analysis prepared is not necessarily indicative of the effects on profit/ (loss) for the year and assets / liabilities of

44.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in r than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in ordin companies. To manage its price risk arising from aforesaid investments, the Company actively monitors the key factors tha movement.

A 10% increase/decrease in share prices at year end would have decreased/increased the surplus on re-measurement of investme sale' investments as follows:

	2010
	Rupees
Effect on equity	**4,536,124**

The sensitivity analysis prepared is not necessarily indicative of the effects on profit/equity and assets of the Company.

44.4 Fair value of financial instruments

The carrying values of other financial assets and financial liabilities reported in balance sheet approximate their fair values.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs u measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived fr

- Level 3: Valuation techniques using significant unobservable inputs.

Investment in ordinary shares of listed companies is valued using quoted prices in active market, hence, fair value of such inve Level 1 in fair value hierarchy as mentioned above.

44.5 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to development of its business. The Board of Directors monitors the return on capital employed, which the Company defines a divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for sharehold other stakeholders, and

(ii) to provide an adequate return to shareholders.

The Company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

The debt-to-equity ratios as at 30 June 2010 and at 30 June 2009 were as follows:

	2010
	Rupees
Total debt	**415,179,135**
Total equity and debt	**1,489,346,192**
Debt-to-equity ratio	**28%**

The decrease in the debt-to-equity ratio in 2010 resulted primarily due to net repayment of long term borrowings.

Neither there were any changes in the Company's approach to capital management during the year nor the Company is su imposed capital requirements.

The Board is also

rform as contracted
789 million (2009:
lion).

customer's financial
Where considered
etters of credit. The

licy is to enter into

economic features
her conditions.

n exposure to credit

2009
Rupees
179,681,368
94,332,540
198,108,108
1,295,193
3,034,414
18,233,319
494,684,942

e of the investment
l "A1" respectively,

2009
Rupees
167,550,900
30,557,208
198,108,108

mer was

2009
Rupees
167,550,900
-
26,400,000
4,157,208
198,108,108
149,318,650
43,493,507
5,295,952
198,108,109

2009
Rupees
690,748
-
690,748
-
690,748

ıst due, as there are

ɔroach to managing
aterially exposed to
extent of available
if required to meet

Two to five years

132,483,240
37,000,000
33,376,716
-
-
-
202,859,956
589,391,995
37,000,000
-
-
-
626,391,995

fect the Company's

nated in US dollars

2009
Rupees
167,550,900
74,985
(217,669,920)
(50,044,035)
(21,380,018)
(71,424,053)

date rate
2009
Rupees
81.30

: profit for the year
inances and foreign

2009
Rupees
5,417,431
7,142,405

the Company

; amount
2009
Rupees
89,357,500
727,606,338
-
1,731,536,828
217,669,920

a change in interest

:he amounts shown
:ormed on the same

loss 100 bp
Decrease
Rupees
23,472,234
30,789,499

the Company

narket prices (other
ary shares of listed
t affect stock price

ents in 'available for

2009
Rupees
-

sed in making the

om prices)

estments fall within

sustain the future
s operating income

ers and benefits for

2009
Rupees
745,979,944
1,374,363,955
54%

ubject to externally