

			2011 Rupees	2010 Rupees
<b>3</b>	<b>ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL</b>			
	2011	2010		
	(NUMBER OF SHARES)			
	2,952,429	2,952,429	Ordinary shares of Rupees 10 each fully paid-up in cash	29,524,290
	100,000	100,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	1,000,000
	<u>3,052,429</u>	<u>3,052,429</u>		<u>30,524,290</u>
				<u>30,524,290</u>
<b>4</b>	<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET</b>			
	Opening Balance		573,661,722	579,949,867
	Transferred to accumulated loss in respect of surplus realized on disposal of revalued property, plant and equipment		(11,097,804)	(1,642,967)
	Related deferred tax liability		3,884,231	575,038
			(7,213,573)	(1,067,929)
	Transferred to accumulated loss in respect of incremental depreciation charged during the year		(7,170,050)	(8,031,102)
	Related deferred tax liability		2,509,518	2,810,886
			(4,660,532)	(5,220,216)
			<u>561,787,617</u>	<u>573,661,722</u>
<b>5</b>	<b>LONG TERM FINANCING</b>			
	Financing from banking companies-secured	5.1	73,193,999	73,193,999
			<u>73,193,999</u>	<u>73,193,999</u>
	Less: Current portion shown under current liabilities	12	73,193,999	73,193,999
			<u>-</u>	<u>-</u>

LENDER	2011	2010	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	-----Rupees-----						
NIB Bank Limited	73,193,199	73,193,999	3 Month KIBOR+ 4.25% with floor 14%	Twenty four equal quarterly installments, commenced from 26 July 2005.	First working day of July and January.	Quarterly	First equitable charge of Rupees 360 million on land, building and machinery, hypothecation of current assets and personal guarantees of sponsor directors.
	<u>73,193,199</u>	<u>73,193,999</u>					

5.2 These are interest free and unsecured loans having indefinite maturity. These loans are not repayable within next 12 months and hence have being classified as non-current liabilities.

	NOTE	2011 Rupees	2010 Rupees
<b>6</b>	<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Future minimum lease payments		132,099,595	149,857,836
Less: Unamortized finance charges		22,785,015	28,514,488
Present value of future minimum lease payments		109,314,580	121,343,348
Less: Current portion shown under current liabilities	12	65,416,801	48,513,856
		<u>43,897,779</u>	<u>72,829,492</u>

6.1 Future minimum lease payments has been discounted at an implicit interest rate ranging from 15.02 to 18.95 percent (2010: 15.02 to 18.17 ) per annum to arrive at their present value.

Lease rentals are payable in monthly installments. In some leases, in case of default, an additional charge at the rate ranging from 76 Paisa to 4.84 Rupees per thousand per day shall be payable. Taxes, repairs and insurance cost are to be borne by the Company. The Company shall have no right to terminate the lease agreement and if the lease agreement is terminated, the Company shall pay the entire amount for unexpired period of lease agreement. Lease agreements are renewable at the option of lessor on such terms as may be agreed upon. Liabilities are secured against charge on leased assets, personal guarantees of sponsor directors and security deposit of Rupees 24,327,081 (2010: Rupees 24,327,081) and ranking charge over fixed assets amounting to Rupees 21.33 million.

6.2 Future minimum lease payments and present value of minimum lease payments are regrouped as under:

	2011		2010	
	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
	-----Rupees-----		-----Rupees-----	
Due not later than one year	82,691,723	65,416,800	64,675,643	48,513,856
Due later than one year not later than five years	49,407,872	43,897,780	85,182,193	72,829,492
	<u>132,099,595</u>	<u>109,314,580</u>	<u>149,857,836</u>	<u>121,343,348</u>
			<b>2011</b>	<b>2010</b>
			<b>Rupees</b>	<b>Rupees</b>

## 7 DEFERRED INCOME TAX

The liability/(asset) for deferred taxation originated due to timing differences relating to:

### Taxable temporary differences

Accelerated tax depreciation allowance	26,098,898	30,291,387
Surplus on revaluation of property, plant and equipment	36,508,049	42,901,798
Liabilities against assets subject to finance lease	14,478,189	13,076,625
	<u>77,085,136</u>	<u>86,269,810</u>

### Deductible temporary difference

Provision for gratuity	(3,675,488)	(4,323,810)
Overdue markup of leased liability	(4,364,593)	-
Deferred markup of leased liability	(3,644,030)	-
	<u>(11,684,111)</u>	<u>(4,323,810)</u>
	<u>65,401,025</u>	<u>81,946,000</u>

7.1 The net deferred income tax asset of Rupees 52.56 million (2010: 33.876 million) has not been recognized in these financial statements as the temporary differences are not expected to reverse in foreseeable future because taxable profits will not be probably available against which the temporary differences can be utilized.

	NOTE	2011 Rupees	2010 Rupees
<b>8 DEFERRED MARK-UP</b>			
Deferred markup - long term financing	8.1	5,748,044	6,919,138
Deferred markup - finance leases	8.2	4,317,604	8,381,033
		<u>10,065,648</u>	<u>15,300,171</u>

8.1 MCB Bank Limited (MCB) has deferred payment of capitalized mark-up of Rupees 8.815 million (2010: Rupees 12.455 million) which will be repaid in 19 equal quarterly installments of Rupees 455,000 and 1 installment of Rupees 170,000 in the end commenced from 01 September 2009, after repayment of original demand finance. The deferred mark-up has been stated at present value using effective interest rate of 10%. Deferred markup is secured against charge over fixed assets amounting to Rupees 51.288 millions.

8.2 This represents amounts of deferred markup on finance leases payable by the Company through future payments. These are stated at present value using discount rate as per their respective agreements.

	NOTE	2011 Rupees	2010 Rupees
<b>9 TRADE AND OTHER PAYABLES</b>			
Creditors un-secured		74,520,632	57,114,032
Advances from customers		5,882,648	5,524,038
Accrued liabilities		15,156,127	20,488,256
Short term employees' benefits		11,815,819	6,669,096
Income tax deducted at source		6,071,886	3,152,809
Unclaimed dividend		144,947	144,947
Others		211,515	-
		<u>113,803,574</u>	<u>93,093,178</u>
<b>10 ACCRUED MARK-UP</b>			
Long term financing		45,539,284	34,977,384
Liabilities against assets subject to finance lease		10,411,514	5,228,866
Additional markup on overdue loans		3,166,389	3,166,389
Short term borrowings		37,989,776	27,701,305
		<u>97,106,963</u>	<u>71,073,944</u>

	NOTE	2011 Rupees	2010 Rupees
<b>11 SHORT TERM BORROWINGS</b>			
<b>From banking companies - secured</b>			
Cash finances		-	2,132,579
Running finances	11.1	23,698,540	23,698,540
Demand finances	11.2	41,738,712	41,738,712
		<u>65,437,252</u>	<u>67,569,831</u>
<b>From related parties -unsecured and non interest bearing</b>			
Chief Executive Officer	11.3	6,427,896	7,700,000
Famous Securities (Private) Limited	11.3	9,285,591	9,095,000
Spouse of Chief Executive Officer	11.3	1,500,000	-
Bilal Textiles (Private) Limited		-	6,202,032
<b>Others - unsecured and interest bearing</b>	11.4	2,500,000	3,700,000
		<u>85,150,739</u>	<u>85,171,863</u>

- 11.1 It is secured against first equitable charge on land, building and machinery, hypothecation charge on current assets and personal guarantees of three sponsor directors. Rate of mark up on this finance is 39.53 paisa (2010: 39.53 paisa) per thousand per day.
- 11.2 These represent demand finance facility of Rupees 56.122 million obtained from The Royal Bank of Scotland Limited (formally ABN-Amro Bank Limited) and NIB Bank Limited. These are secured against registered hypothecation charge of Rupees 50 million, second supplement agreement of hypothecation on all future and current assets, stocks of raw material, work in process, finished goods, plant and machinery, equipment tools and stores and spares. Rates of mark up on these finances range from 50 paisa to 60 paisa (2010: 50 paisa to 60 paisa).
- 11.3 These are interest free loans. Terms and condition of these loans are yet to be finalized.
- 11.4 The rate of mark up on this loan is 20% per annum. Terms and conditions of this loan is yet to be finalized.

	NOTE	2011 Rupees	2010 Rupees
<b>12 CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
Long term financing:			
Current	5	-	14,166,668
Over due		73,193,999	59,027,331
		<u>73,193,999</u>	<u>73,193,999</u>
Finance leases:			
Current	6	34,545,376	34,480,493
Over due		30,871,425	14,033,363
		<u>65,416,801</u>	<u>48,513,856</u>
Deferred mark-up			
Current		5,234,526	4,543,537
Over due		4,089,183	1,465,879
		<u>9,323,709</u>	<u>6,009,416</u>
		<u>147,934,509</u>	<u>127,717,271</u>

### 13 CONTINGENCIES AND COMMITMENTS

#### 13.1 Contingencies

- (a) Sui Northern Gas Pipelines Limited (SNGPL) Islamabad demanded arrears of Rupees 10.405 million for the period from November 2006 to November 2007 due to slow meter reading. The Company filed a case in the Court of Senior Civil Judge Islamabad on 18 December 2007. SNGPL has encashed the bank guarantee amounting to Rupees 15.293 million issued to it by NIB Bank Limited on behalf of the Company. The Company, based on advice of its legal counsel, is hopeful for recovering this balance from SNGPL. Consequently, no provision there against has been made in these financial statements and this amount has been shown as a long term deposit with SNGPL in these financial statements.
- (b) The Company has filed an appeal before Lahore high court, Rawalpindi bench against the recovery of electricity duty amounting to Rupees 19,068,877 on self generation charged by Electric Inspector Islamabad Region. The Court has issued notices to the respondents to file comments. The case is still pending before the Court and the Company, based on advice of legal advisor, is hopeful for favorable outcome.
- (c) The Company has filed an appeal before Lahore high court, Rawalpindi bench Rawalpindi against the recovery of property tax of Rupees 5,505,926 charged by Inspector Military Lands and Cantonments, Rawalpindi region.
- (d) For tax year 2010, assessment order dated 20 February 2011 has been passed under section 122(1) read with section 122(5) of Income Tax Ordinance, 2001 by the Deputy Commissioner Inland Revenue, whereby demand of tax amounting to Rupees 4,223,054 has been created. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) and is hoping for favorable outcome.
- (e) The Company filed an appeal before Lahore High Court, Rawalpindi Bench, Rawalpindi, against conservancy charges amounting to Rupees 420,000 (Rupees 60,000 per annum) from the year 2003 to 2009 charged by Cantonment Board Rawalpindi. The Court has issued a notice for suspension of recovery of these charges. The case is still pending before the Court.
- (f) NIB Bank limited has filed a suit before Lahore High Court against the Company for recovery of outstanding loans amounting to Rupees 165.041 Million. The suit is pending adjudication before Lahore High Court. The Company has filed a counter suit against NIB Bank limited before Islamabad High Court.
- (g) Guarantees of Rupees 0.687 million (2010: Rupees 1.094 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connection.

	2011 Rupees	2010 Rupees
13.2 Commitments	Nil	Nil

14.2 Detail of property, plant and equipment exceeding book value of Rupees 50,000 disposed off during the year is as follows:

Description	Qty	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Gain/(Loss)	Mode of disposal	Particulars of purchaser
-----Rupees-----								
Owned								
Plant and machinery:								
Murata Mach 50 Drums P/yer 120	1	2,694,527	1,000,918	1,693,609	799,826	(893,783)	Negotiation	Redant traders, 22-G, Gulberg 2 Lahore
Ring Frames	2	2,782,638	426,614	2,356,024	2,500,000	143,976	Negotiation	Bilal Textile Pvt Ltd 102-Jail Raod Faisalabad
Murata Mach 21 C	1	11,940,636	3,483,160	8,457,476	8,000,000	(457,476)	Negotiation	Dar-ul-Salam Textile Mills Ltd 63-B Gulberg III Lahore
Card Machines A 186 F	2	3,476,448	1,799,751	1,676,697	350,000	(1,326,697)	Negotiation	Hafeez Brother, P/94 Dar-ul-Ehsan town Samandri road Faisalabad
Card Machines A 186 F	6	10,429,344	5,430,965	4,998,379	1,200,000	(3,798,379)	Negotiation	Hafeez Brother, P/94 Dar-ul-Ehsan town Samandri road Faisalabad
Simplex SFA 406 112 Spindles	1	3,129,656	1,880,942	1,248,714	450,000	(798,714)	Negotiation	Hafeez Brother, P/94 Dar-ul-Ehsan town Samandri road Faisalabad
Ring Frames FA 502 480 Spindles	4	5,398,117	4,067,283	1,330,834	1,300,000	(30,834)	Negotiation	Hafeez Brother, P/94 Dar-ul-Ehsan town Samandri road Faisalabad
Ring Frames FA 502 480 Spindles	1	1,516,875	1,184,354	332,521	325,000	(7,521)	Negotiation	Hafeez Brother, P/94 Dar-ul-Ehsan town Samandri road Faisalabad
Ring Frames FA 502 480 Spindles	5	7,584,372	5,922,003	1,662,369	1,625,000	(37,369)	Negotiation	Hafeez Brother, P/94 Dar-ul-Ehsan town Samandri road Faisalabad
Ring Frames FA 502 480 Spindles	4	6,067,497	4,739,858	1,327,639	1,340,000	12,361	Negotiation	Hafeez Brother, P/94 Dar-ul-Ehsan town Samandri road Faisalabad
<b>Total Amount</b>		<b>55,020,110</b>	<b>29,935,848</b>	<b>25,084,262</b>	<b>17,889,826</b>	<b>(7,194,436)</b>		

- 14.3 The revaluation of property, plant and equipment was carried out by an independent valuer Messrs Projects (Private) Limited as on 30 June 2007 on the basis of depreciated replacement value method. Had there been no revaluation, the cost, accumulated depreciation and book value of revalued property, plant and equipment would have been as follows:

Description	2011			2010
	Historical cost	Accumulated depreciation	Book value	Book value
-----Rupees-----				
Freehold land	113,044	-	113,044	113,044
Factory Building on free hold land	43,190,483	29,569,023	13,621,460	15,134,956
Non factory building	12,505,284	5,040,517	7,464,767	7,857,649
Plant and machinery	191,088,442	107,520,892	83,567,550	102,172,921
Factory equipment	12,780,223	10,596,387	2,183,837	2,426,485
Electric installations	8,687,471	5,282,729	3,404,742	3,700,394
Furniture and fixture	2,312,105	1,677,137	634,968	697,224
Vehicles	9,260,415	6,065,450	3,194,965	3,351,563
	<b>279,937,467</b>	<b>165,752,135</b>	<b>114,185,332</b>	<b>135,454,236</b>

**15 ADVANCE AGAINST PROPERTY**

It represents full consideration of Rupees 51.150 million given as advance for purchase of property. The Property has not yet been transferred in the Company's name due to the want of completion of legal formalities. With reference to this advance, the Director (Enforcement) of Securities and Exchange Commission of Pakistan (SECP) vide his Order dated 29 November 2007 has imposed a penalty of Rupees 100,000 on each of the director except one (nominee NIT) of the Company for contravention of Section 196(2i) of Companies Ordinance, 1984. Further directions were given under section 473 for transferring the property in the name of the Company within thirty days from the Order date. The Chief Executive officer of the Company has filed a revision application with the Appellate Bench of SECP under section 484 of Companies Ordinance, 1984 against this Order on 10 January 2008, where the case is still pending.

The Chief Executive officer also filed an appeal under section 485 of the Companies Ordinance, 1984 read with Section 34 of SECP Act, 1997 before the Lahore High Court Rawalpindi Bench whereby stay order was granted to suspend the operation of above said impugned order.

	Note	2011	2010
<b>16 LONG TERM INVESTMENTS - Held to Maturity</b>			
Defense saving certificates (DSCs)		1,340,221	1,312,297
Term deposit receipt		643,000	643,000
		<u>1,983,221</u>	<u>1,955,297</u>
Less : Current portion shown under current assets	24	643,000	-
		<u>1,340,221</u>	<u>1,955,297</u>

- 16.1 Return on DSCs will be paid on maturity at the rates ranging from 14.01% to 15.97% (2010: 16% to 20%) per annum for a period of 10 years. The Term deposit receipt amounting to Rupees 643,000 is issued for two years and carries interest @ 10% p.a. These certificates and TDR's are deposited with the banks as securities against guarantees given on behalf of the Company.

**17 LONG TERM DEPOSITS**

Deposit against finance leases		24,327,081	24,327,081
Less : Current portion shown under current assets	22	14,383,885	5,601,880
		<u>9,943,196</u>	<u>18,725,201</u>
Security deposits		23,488,706	23,488,706
		<u>33,431,902</u>	<u>42,213,907</u>

	NOTE	2011 Rupees	2010 Rupees
<b>18 STORES, SPARES PARTS AND LOOSE TOOLS</b>			
Stores		1,052,766	1,064,337
Spares parts		5,104,834	5,357,158
Loose tools		18,839	29,678
		<u>6,176,439</u>	<u>6,451,173</u>
<b>19 STOCK-IN-TRADE</b>			
Raw materials		7,185,230	11,101,287
Work-in-process		-	16,075,718
Finished goods		21,322,565	6,660,970
Waste		531,024	1,098,676
		<u>29,038,819</u>	<u>34,936,651</u>

19.1 The carrying value of stock in trade pledged as security against short term borrowings is Rupees Nil (2010: Rupees 2.132 million).

19.2 Stock in trade of Rupees 57.015 million (2010: Nil) respectively is valued at net realizable value.

19.3 The aggregate amount of written down of inventories to net realizable value recognized as an expense during the year was Rupees 32,029,368 (2010: Nil) .

#### 20 TRADE DEBTS - Unsecured

As at 30 June 2011, trade debts of 4.23 million (2010: Rupees 7.237 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	NOTE	2011 Rupees	2010 Rupees
Up to 1 month		4,099,793	7,204,166
1 to 6 months		99,234	2,000
More than 6 months		31,295	31,295
		<u>4,230,322</u>	<u>7,237,461</u>
<b>21 ADVANCES</b>			
<b>Considered good:</b>			
Employees - interest free		1,542,518	422,400
Advances to suppliers		2,902,740	2,528,615
		<u>4,445,258</u>	<u>2,951,015</u>
<b>22 SHORT TERM DEPOSITS</b>			
Current portion of deposit against finance lease	17	14,383,885	5,601,880
Deposit for acquisition of machinery	22.1	2,000,000	2,000,000
Prepayments		-	239,000
		<u>16,383,885</u>	<u>7,840,880</u>

22.1 It represents the amount recoverable from Messrs Fauji Foundation. The amount is considered good as the Court has decided the case in favor of the Company on June 10, 1999. Fauji Foundation has, however, filed appeal before Honorable Lahore High Court, Rawalpindi Bench, against the aforesaid order, and provided bank guarantee of Rupees 2 million to the Court. Honorable High Court remanded the case to the Civil Court who decided against the Company. The Company has filed petition in Lahore High Court Rawalpindi Bench.

	NOTE	2011 Rupees	2010 Rupees
<b>23 OTHER RECEIVABLES</b>			
<b>Considered good:</b>			
Income tax receivable		5,079,263	6,039,255
Sales tax refundable		6,267,264	7,243,473
Export rebate and claims		137,219	137,219
Miscellaneous receivables		221,158	231,358
		<u>11,704,904</u>	<u>13,651,305</u>
<b>24 SHORT TERM INVESTMENTS</b>			
Term deposit certificates	24.1	100,000	-
Current maturity of long-term investments	16	643,000	-
		<u>743,000</u>	<u>-</u>

24.1 The Term deposit receipt amounting to Rupees 100,000 is issued for one year and carries interest @ 10% p.a, which is deposited with the bank as security against guarantees given on behalf of the Company.

#### 25 CASH AND BANK BALANCES

	NOTE	2011 Rupees	2010 Rupees
<b>With banks:</b>			
On PLS saving accounts	25.1	88,445	473,853
On current accounts		174,431	5,200,774
		<u>262,876</u>	<u>5,674,627</u>
<b>Cash in hand</b>		122,021	612,282
		<u>384,897</u>	<u>6,286,909</u>

25.1 The balances in saving accounts carry interest rates ranging from 2 to 5 percent (2010: 2 to 5 percent) per annum.

	NOTE	2011 Rupees	2010 Rupees
<b>26 SALES</b>			
Local:			
Yarn		795,100,789	965,411,028
Waste		17,086,327	9,023,317
Raw material		19,764,920	7,910,777
		<u>831,952,036</u>	<u>982,345,122</u>
<b>27 COST OF SALES</b>			
Raw materials consumed	27.1	611,541,632	636,741,801
Stores, spares parts and loose tools consumed		21,503,315	19,023,969
Salaries, wages and other benefits		58,586,572	69,236,530
Fuel and power		74,029,264	90,235,474
Insurance		2,115,878	1,434,880
Packing material consumed		11,412,173	15,696,022
Repair and maintenance		3,900,158	2,747,610
Other factory overheads		1,203,509	813,462
Depreciation		20,283,802	22,456,027
		<u>804,576,303</u>	<u>858,385,775</u>
Work-in-process			
Opening stock		16,075,718	13,796,699
Closing stock		-	(16,075,718)
		<u>16,075,718</u>	<u>(2,279,019)</u>
Cost of goods manufactured		<u>820,652,021</u>	<u>856,106,756</u>
Finished goods including waste			
Opening stock		7,759,646	34,674,640
Add: Purchases (Yarn) during the year		15,413,000	14,587,000
Less: Closing stock		(21,853,589)	(7,759,646)
		<u>1,319,057</u>	<u>41,501,994</u>
Cost of yarn sold		<u>821,971,078</u>	<u>897,608,750</u>
Cost of raw material sold		<u>24,173,809</u>	<u>6,240,067</u>
Cost of sales		<u>846,144,887</u>	<u>903,848,817</u>
<b>27.1 Raw material consumed</b>			
Opening stock		11,101,287	42,492,848
Add : Purchases during the year		631,799,384	611,590,307
		<u>642,900,671</u>	<u>654,083,155</u>
Cost of raw material sold		(24,173,809)	(6,240,067)
Less : Closing stock		(7,185,230)	(11,101,287)
		<u>611,541,632</u>	<u>636,741,801</u>
<b>28 DISTRIBUTION COST</b>			
Salaries, wages and other benefits		2,986,656	1,072,722
Outward freight and handling		929,147	1,074,065
Commission to selling agents		178,000	14,028
		<u>4,093,803</u>	<u>2,160,815</u>
<b>29 ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits		7,416,179	7,257,716
Rent, rates and taxes		1,106,261	5,058,391
Printing and stationery		438,902	490,492
Postage and telephone		597,300	649,948
Traveling and conveyance		1,263,804	2,350,091
Vehicles' running		1,995,847	1,954,898
Entertainment		230,185	354,974
Advertisement		160,420	46,320
Legal and professional		1,271,682	1,628,791
Fees and subscriptions		337,914	303,480
Depreciation	14	2,925,009	2,899,658
		<u>17,743,503</u>	<u>22,994,759</u>
<b>30 OTHER OPERATING EXPENSES</b>			
Auditors' remuneration	30.1	475,140	398,857
Donations	30.2	459,690	424,732
Loss on sale of property, plant and equipment		7,194,436	361,940
Long outstanding debtors written off		-	-
Workers' welfare fund		-	632,177
Workers' profit participation fund		-	863,998
		<u>8,129,266</u>	<u>2,681,704</u>

	NOTE	2011 Rupees	2010 Rupees			
30.1	<b>Auditors' remuneration</b>					
	Audit fee	355,000	300,000			
	Half yearly review	35,000	35,000			
	Reimbursable expenses	85,140	63,857			
		<u>475,140</u>	<u>398,857</u>			
30.2	There is no interest of any directors or there spouses in donees' fund.					
31	<b>OTHER OPERATING INCOME</b>					
	<b>Income from financial assets</b>					
	Profit on deposits with banks	40,563	63,176			
	Gain on initial recognition of financial liabilities at fair value	-	2,963,948			
	Return on defense saving certificates	160,958	173,730			
	Return on term deposit receipts	64,299	63,754			
	Long outstanding creditors written back	15,323	3,838,955			
	Exchange gain	-	1,887,876			
	<b>Others</b>					
	Scrap sales	-	3,500			
		<u>281,143</u>	<u>8,994,939</u>			
32	<b>FINANCE COST</b>					
	Mark-up on:					
	Long term financing	10,561,897	11,439,237			
	Liabilities against assets subject to finance lease	10,971,896	14,192,892			
	Deferred mark-up	2,360,214	-			
	Short term borrowings	12,125,631	17,626,620			
	Bank charges and commissions	197,290	611,437			
		<u>36,216,928</u>	<u>43,870,186</u>			
33	<b>EMPLOYEES' RETIREMENT BENEFIT</b>					
	The amounts recognized in financial statements are determined as follows :					
	<b>Balance sheet obligation for gratuity</b>					
	Present value of unfunded defined benefit obligation	10,501,395	12,353,743			
	Actuarial gain recognized in the statement of other comprehensive income	-	1,967,978			
	<b>Movement in liability recognized in the balance sheet</b>					
	At the beginning of the year	12,353,743	13,635,592			
	Current service cost	2,389,789	2,580,169			
	Interest cost	1,482,449	1,636,271			
	Actuarial gain	-	(1,967,978)			
	Benefit paid during the year	(5,724,586)	(3,530,311)			
	At the end of the year	<u>10,501,395</u>	<u>12,353,743</u>			
	<b>Amount recognized in profit and loss account</b>					
	Current service cost	2,389,789	2,580,169			
	Interest cost for the year	1,482,449	1,636,271			
		<u>3,872,238</u>	<u>4,216,440</u>			
	<b>Changes in present value of defined benefit obligations</b>					
	Present value of defined benefit obligations	12,353,743	13,635,592			
	Current service cost	2,389,789	2,580,169			
	Interest cost for the year	1,482,449	1,636,271			
	Benefits paid during the year	(5,724,586)	(3,530,311)			
	Actuarial gain on present value of defined benefit obligations	-	(1,967,978)			
		<u>10,501,395</u>	<u>12,353,743</u>			
	<b>Allocation of charge for the year</b>					
	Cost of sales	739,627	3,430,070			
	Distribution cost	2,061,114	172,235			
	Administrative expenses	1,071,497	614,135			
		<u>3,872,238</u>	<u>4,216,440</u>			
	<b>Principal actuarial assumptions used</b>					
	Discount rate	12%	12%			
	Expected rate of increase in salary	11%	11%			
	Average expected remaining working life of employees	6 years	6 years			
	Experience adjustment on plan unfunded liabilities:					
		2011	2010	2009	2008	2007
				Rupees		
		-	(1,967,978)	-	(1,081,042)	-

33.1 The latest actuarial valuation was carried out for the year ended 30 June 2010, using the projected unit credit method.

	Note	2011 Rupees	2010 Rupees
<b>34 TAXATION</b>			
Current year			
Current	34.1	-	(4,911,726)
Deferred		16,544,976	4,948,916
Prior year		-	(25,022)
		<u>16,544,976</u>	<u>12,168</u>

34.1 No provision for current tax was made in these financial statements because of gross loss for the year and in view of available tax loss of Rupees 123.748 million (2010: Rupees 96.789 million). Consequently tax expense reconciliation is not being presented.

	Note	2011 Rupees	2010 Rupees
<b>35 EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED</b>			
There is no dilutive effect on the basic earnings / (loss) per share which is based on:			
Profit / (loss) attributable to ordinary shares	(Rupees)	<u>(63,550,232)</u>	<u>15,795,948</u>
Weighted average number of ordinary shares	(Numbers)	<u>3,052,429</u>	<u>3,052,429</u>
Earnings / (loss) per share	(Rupees)	<u>(20.82)</u>	<u>5.17</u>

	Note	2011 Rupees	2010 Rupees
<b>36 CASH GENERATED FROM OPERATIONS</b>			
<b>Profit / (loss) before taxation</b>		(80,095,208)	15,783,780
<b>Adjustments for non-cash charges and other items:</b>			
Depreciation		23,208,811	25,355,685
Provision for gratuity		3,872,238	4,216,440
Loss on sale of property, plant and equipment		7,194,436	361,940
Profit on investments		(160,958)	(173,730)
Gain on initial recognition of financial liabilities at fair value		-	(2,963,948)
Finance cost		36,216,928	43,870,186
Exchange gain		-	(1,887,876)
Long outstanding creditors written back		(15,323)	(3,838,955)
Provision for Workers' Welfare Fund		-	632,177
Provision for Workers' Profit Participation Fund		-	863,998
Working capital changes	36.1	<u>28,660,381</u>	<u>18,501,171</u>
		<u>18,881,305</u>	<u>100,720,868</u>

**36.1 Working capital changes**

(Increase) / decrease in current assets:

-Stores, spares parts and loose tools	274,734	(1,556,922)
-Stock in trade	5,897,832	56,027,536
-Trade debts	3,007,139	(1,897,626)
-Advances	(1,494,243)	(1,737,200)
-Prepayments	239,000	(239,000)
-Other receivables	10,200	(2,031,533)
	<u>7,934,662</u>	<u>48,565,255</u>

Increase / (decrease) in trade and other payables

	<u>20,725,719</u>	<u>(30,064,084)</u>
	<u>28,660,381</u>	<u>18,501,171</u>

**37 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER AND DIRECTORS**

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to the chief executive officer and directors of the Company are as follows:

	Chief Executive Officer		Directors	
	2011	2010	2011	2010
	-----Rupees-----			
<b>Managerial remuneration</b>	2,400,000	2,400,000	764,555	748,032
<b>Allowances</b>				
House rent	-	-	21,776	23,508
Sick allowance	-	-	1,927	2,400
Adhoc Allowance	-	-	963	-
Utilities	-	-	66,588	58,740
Cost of living allowance	-	-	1,445	1,800
	<u>2,400,000</u>	<u>2,400,000</u>	<u>857,254</u>	<u>834,480</u>
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>3</b>

37.1 The Company also provides to chief executive officer and directors free use of the Company maintained cars, residence, residential telephone and medical facility. The Company has charged gratuity for above mentioned directors.

37.2 The aggregate amount charged in the financial statements in respect of directors' meeting fee paid to 1 (2010:1) director was Rupees 25,000 (2010: Rupees 9,000).



**38 TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise of associated undertakings and key management personnel. The Company in the normal course of business carries out transaction with various related parties. Detail of transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	<b>2011 Rupees</b>	<b>2010 Rupees</b>
<b>Associated companies</b>		
<b>Bilal Textiles (Private) Limited</b>		
Long term loan obtained during the year	-	69,925,602
Purchase of goods and services	15,413,000	14,875,254
Payment against outstanding balance	19,115,032	95,141,014
Disposal of plant and machinery	2,500,000	-
Sales of goods and services	-	7,637,447
<b>Bilal Fibers Limited</b>		
Payment made against cotton purchased	6,596,154	-
Payment received against raw material sold	19,578,898	-
Purchase of raw material	6,657,600	-
Sales of raw material	19,764,920	-
<b>Famous Securities (Private) Limited</b>		
Long term loan obtained during the year	480,000	-
Payment against outstanding balance	289,409	705,000
<b>Spouse of Chief executive officer</b>		
Long term loan obtained during the year	10,550,000	-
Payment against outstanding balance	9,050,000	6,320,000
<b>Chief Executive officer</b>		
Long term loan obtained during the year	1,480,000	7,700,000
Payment against outstanding balance	2,752,104	8,020,000

**39 PLANT CAPACITY AND ACTUAL PRODUCTION**

	<b>(Numbers)</b>	
Spindles installed	24,192	32,592
	<b>(Kilograms)</b>	
100% plant capacity converted into 20s count based on 3 shifts per day for 1095 shifts (2010: 1095 shifts)	11,860,086	13,348,203
Actual production converted into 20's count based on 3 shifts per day for 1065 shifts (2010: 1,065 shifts)	7,270,295	11,702,472

39.1 Conversion of actual production of cotton and blended yarn of various mix and counts into cotton yarn of 20s depicts production efficiency attained since it fluctuates with changes in count of yarn spun and blend mix in a particular production period.

**39.2 REASONS FOR LOW PRODUCTION**

- Due to stoppage for normal maintenance and interruption in captive power gas.
- Compulsory electricity load shedding in peak hours.
- The mill remained closed for 92 days during the year.

**40 FINANCIAL RISK MANAGEMENT****40.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non derivative financial instruments.

**(a) Market risk****(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to any currency risk.

**(ii) Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity and commodity price risk.

**(iii) Interest rate risk**

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets except for term deposit receipts and Defence Saving Certificates. The Company's interest rate risk arises from long term financing, liabilities against assets subject to finance lease, short term borrowings, term deposit receipts and Defence Saving Certificates. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	<b>2011</b>	<b>2010</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Term deposit receipts	1,340,221	1,312,297
Defence Saving Certificates	743,000	643,000
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances- saving accounts	88,445	473,853
<b>Financial liabilities</b>		
Long term financing	73,193,999	73,193,999
Liabilities against assets subject to finance lease	132,099,595	149,857,836
Short term borrowings	85,150,739	71,269,831

**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 or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

**Cash flow sensitivity analysis for variable rate instruments**

If interest rates at the year end date, fluctuates by 1% higher/lower with all other variables held constant, loss after taxation for the year would have been Rupees 2.904 million (2010: Rupees 3.729 million) higher/lower, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

**(b) Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	<b>2011</b>	<b>2010</b>
	<b>Rupees</b>	<b>Rupees</b>
Long term investments	1,340,221	1,955,297
Deposits	49,815,787	49,815,787
Trade debts	4,230,322	7,237,461
Advances	1,542,518	422,400
Other receivables	221,158	231,358
Short term investments	743,000	-
Bank balances	262,876	5,674,627
	<u>58,155,882</u>	<u>65,336,930</u>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2011	2010
	Short Term	Long term	Agency	Rupees	Rupees
<b>Banks</b>					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	39,522	23,678
Askari Bank Limited	A1+	AA	PACRA	2,193	2,625
Bank Alfalah Limited	A1+	AA	PACRA	3,428	1,360,793
Habib Bank Limited	A-1+	AA+	JCR-VIS	8,249	12,307
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	7,345	41,633
MCB Bank Limited	A1+	AA+	PACRA	46,358	419,471
The Royal Bank of Scotland Limited	A1+	AA	PACRA	66,792	74,080
Silk bank Limited	A-3	A -	JCR-VIS	65,456	680,554
United Bank Limited	A-1+	AA+	JCR-VIS	2,514	2,514
Meezan bank limited	A-1	AA -	JCR-VIS	21,019	3,056,972
				<u>262,876</u>	<u>5,674,627</u>
<b>Investments</b>					
Silk bank Limited-Term deposit receipts	A-3	A -	JCR-VIS	<u>743,000</u>	<u>743,000</u>
				<u>743,000</u>	<u>743,000</u>
				<u>1,005,876</u>	<u>6,417,627</u>

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 20.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through sponsors' support. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2011

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
-----Rupees-----						
<b>Non-derivative financial liabilities:</b>						
Long term financing	73,193,999	73,193,999	73,193,999	-	-	-
Liabilities against assets subject to finance lease	109,314,580	132,099,595	65,958,915	16,732,808	20,864,506	28,543,366
Deferred markup	19,389,357	22,648,042	7,541,060	3,451,876	6,480,106	5,175,000
Trade and other payables	113,803,574	113,803,574	113,803,574	-	-	-
Short term borrowings	85,150,739	85,150,739	85,150,739	-	-	-
Accrued markup	97,106,963	97,106,963	97,106,963	-	-	-
	<u>497,959,212</u>	<u>524,002,912</u>	<u>442,755,250</u>	<u>20,184,684</u>	<u>27,344,612</u>	<u>33,718,366</u>

Contractual maturities of financial liabilities as at 30 June 2010.

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
-----Rupees-----						
<b>Non-derivative financial liabilities:</b>						
Long term financing	73,193,999	73,193,999	73,193,999	-	-	-
Liabilities against assets subject to finance lease	121,343,348	149,857,836	40,425,659	42,477,317	29,405,768	37,549,093
Deferred markup	21,309,587	24,273,334	4,917,738	3,451,859	5,067,947	10,835,790
Trade and other payables	93,093,178	77,747,235	77,747,235	-	-	-
Short term borrowings	94,266,863	94,266,863	94,266,863	-	-	-
Accrued markup	71,073,944	71,073,944	71,073,944	-	-	-
	<u>474,280,919</u>	<u>490,413,211</u>	<u>361,625,438</u>	<u>45,929,176</u>	<u>34,473,715</u>	<u>48,384,883</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 5, 6 and note 11 to these financial statements.

**#### Fair values of financial assets and liabilities**

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

**#### Financial instruments by categories**

	Loans and receivables	Held to maturity	Total
-----Rupees-----			
<b>As at 30 June 2011</b>			
<b>Assets as per balance sheet</b>			
Investments	-	1,340,221	1,340,221
Long term deposits	33,431,902	-	33,431,902
Short term deposits	16,383,885	-	16,383,885
Trade debts	4,230,322	-	4,230,322
Advances	1,542,518	-	1,542,518
Other receivables	221,158	-	221,158
Short term investments	-	743,000	743,000
Cash and bank balances	384,897	-	384,897
	<u>56,194,682</u>	<u>2,083,221</u>	<u>58,277,903</u>

**Financial liabilities at  
amortized cost**

-----Rupees-----

<b>Liabilities as per balance sheet</b>			
Long term financing			81,121,895
Liabilities against assets subject to finance lease			109,314,580
Deferred mark-up			19,389,357
Accrued mark-up			97,106,963
Short term borrowings			85,150,739
Trade and other payables			113,803,574
			<u>505,887,108</u>

	Loans and receivables	Held to maturity	Total
-----Rupees-----			

**As at 30 June 2010**

**Assets as per balance sheet**

Investments	-	1,955,297	1,955,297
Long term deposits	42,213,907	-	42,213,907
Short term deposits	7,601,880	-	7,601,880
Trade debts	7,237,461	-	7,237,461
Advances	422,400	-	422,400
Other receivables	231,358	-	231,358
Cash and bank balances	6,286,909	-	6,286,909
	<u>63,993,915</u>	<u>1,955,297</u>	<u>65,949,212</u>

**Financial liabilities at  
amortized cost**

-----Rupees-----

<b>Liabilities as per balance sheet</b>			
Long term financing			73,193,999
Liabilities against assets subject to finance lease			121,343,348
Deferred mark-up			21,309,587
Accrued mark-up			71,073,944
Short term borrowings			94,266,863
Trade and other payables			93,093,178
			<u>474,280,919</u>

### **Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

#### **41 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on **October 05,2011** by the Board of Directors of the Company.

#### **42 CORRESPONDING FIGURES**

42.1 No significant reclassifications of corresponding figures have been made.

#### **43 GENERAL**

Figures have been rounded off to the nearest Rupee.

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**CHIEF EXECUTIVE OFFICER**

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**DIRECTOR**