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

1. LEGAL STATUS AND NATURE OF BUSINESS

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was incorporated in Pakistan on July 23, 1957 as a public company limited by shares under the Companies Act 1913 since repealed and replaced by the Companies Ordinance, 1984.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

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

2. STATEMENT OF COMPLIANCE

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

2.2 Adoption of new International Financial Reporting Standards

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

Standards affecting presentation and disclosure

IAS 1 - Presentation of Financial Statements (Revised) — January 01, 2009

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

Improving Disclosures about Financial Instruments
(Amendments to IFRS 7 Financial Instruments: Disclosures) — January 01, 2009

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

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

IFRS 8 - Operating Segments	January 01, 2009

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

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

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

IFRS 2 - Share-based Payment : Vesting Conditions and Cancellations	January 01, 2009
IFRS 3 - Business Combinations (Revised) and IAS 27 - Consolidated and Separate Financial Statements (Amended) includong consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39	July 01, 2009
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	July 01, 2009
IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance	January 01, 2009
IAS 23 - Borrowing Costs	January 01, 2009
IAS 32- Financial Instruments : Presentation and IAS 1 Puttable Financial Instruments and Obligations arising on Liquidation	January 01, 2009
IAS 38 - Intangible Assets	January 01, 2009
IAS 39 - Financial Instruments : Recognition and Measurement - Eligible Hedged Items	July 01, 2009
IAS 40 - Investment Property	January 01, 2009
IFRIC 9 - Remeasurement of Embedded derivatives and IAS 39 Financial Instruments : Recognition and Measurement	July 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 17 - Distribution of Non-cash Assets to Owners	July 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009

2.2.2 New accounting standards and interpretations that are not yet effective

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

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

3. BASIS OF PREPARATION

3.1 Accounting convetions

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

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

3.2 Critical accounting estimates and judgments

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

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

i. Post employment benefits

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

ii. Deferred tax

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

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

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

iv. Classification of investment

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Taxation

Current

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

Deferred

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

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that tax profits and taxable temporary differences will be available against which deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits and taxable temporary differences will be available to allow all or part of the assets to be recovered.

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

4.2 Staff retirement benefits

Defined benefit plan

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

4.3 Trade and other payables

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

4.4 Property, plant and equipment

4.4.1 Owned

Property, plant and equipment owned by the Company are stated at cost less accumulated depreciation and impairment loss if any, except freehold and leasehold land. Depreciation is charged to income using the reducing balance method whereby cost of an asset is written-off over its estimated useful life at the rates specified in the property, plant and equipment note.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the year in which they are incurred.

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

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

4.4.2 Capital work-in-progress

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

4.4.3 Assets subject to finance lease

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

4.5 Impairment

Financial assets

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

Non-financial assets

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

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

4.6 Leases

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

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

4.7 Stores, spares and loose tools

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

4.8 Stock in trade

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

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

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

4.9 Trade debts and other receivables

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

4.10 Investments

Regular way purchase or sale of investments

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

Investment in associates

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

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

Investment in joint venture

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

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

Financial assets at fair value through profit or loss

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

4.11 Borrowing cost

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

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

4.12 Foreign currency translation

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

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

4.13 Provisions

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

4.14 Revenue recognition

Sales are recorded on dispatch of goods to customers.
Income on bank deposits are recorded on time proportionate basis using effective interest rate.
Dividend income is recorded when the right to receive the dividend is established.

4.17 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument and derecognised when the Company loses control of the contractual rights that comprise of the financial assets and in case of financial liability when the obligation specified in the contract is discharged cancelled or expired. These are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period to which it relates.

4.18 Financial liabilities at fair value through profit or loss

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

4.19 Offsetting of financial assets and financial liabilities

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

4.20 Cash and cash equivalents

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

4.21 Dividend distribution

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

5. SHARE CAPITAL

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

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

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

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

	Note	***2010 Rupees***	***2009 Rupees***

9. DEFERRED LIABILITIES

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

	Note	2010 Rupees	2009 Rupees

9.1 Deferred taxation

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

9.2 Staff retirement gratuity

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

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

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

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

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

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

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

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

10. TRADE AND OTHER PAYABLES

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

10.1 Workers' profit participation fund

	2010	2009
Balance at beginning of the year	9,046,559	9,399,307
Allocation for the year	87,173,943	9,046,559
Interest charged during the year on the funds utilized by the Company	605,153	785,911
	96,825,655	19,231,777
Payments made during the year	(9,378,097)	(10,185,218)

Balance at end of the year		87,447,558	9,046,559

11. INTEREST / MARK-UP PAYABLE

	Note	2010 Rupees	2009 Rupees
On secured loans from banking companies			
- Long-term financing		16,582,259	39,786,021
- Long-term morabaha finance		-	390,312
- Short-term borrowings		6,570,995	57,415,388
		23,153,254	97,591,721

12. SHORT-TERM BORROWINGS

	Note	2010 Rupees	2009 Rupees
From banking companies - secured			
Running finances	12.1	79,259,051	792,350,620
Short term loans	12.2	-	894,627,390
Finance against imported merchandise	12.3	647,883,363	290,628,218
Finance against export	12.4	11,820,162	-
	12.5	738,962,576	1,977,606,228
From related parties - unsecured			
Loan from directors	12.6	9,586,225	67,269,953
		748,548,801	2,044,876,181

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

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

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

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

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

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

13. CONTINGENCIES AND COMMITMENTS

	2010 Rupees	2009 Rupees
Contingencies		
Claim of arrears of social security contribution not acknowledged, appeal is pending in Honorable High Court of Sindh. The management is hopeful for favorable outcome.	452,997	452,997
Guarantees issued by banks on behalf of the Company	147,550,279	127,050,279
Commitments		
Letters of credit for raw material and stores and spares	658,282,324	687,932,670
Letters of credit for property, plant and equipment	16,856,164	22,764,000

Operating lease rentals	4,605,374	4,186,700

14. PROPERTY, PLANT AND EQUIPMENT

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

for comparitive period

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

* Transferred to own assets upon completion of lease term.

14.1 Allocation of depreciation

	Note	*2010 Rupees*	*2009 Rupees*
Manufacturing expenses	26	281,042,890	301,084,779
Administrative expense	29	8,419,275	8,279,354
		289,462,165	**309,364,133**

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

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

	Note	2010 Rupees	2009 Rupees

15. LONG TERM INVESTMENTS

	Note	2010 Rupees	2009 Rupees
Investment in a joint venture	15.1	1,165,996,076	876,076,149
Investment in an associate	15.2	243,207,924	160,038,748
		1,409,204,000	1,036,114,896

15.1 Investment in a joint venture

- Indus Home Limited

	Note	2010 Rupees	2009 Rupees
Cost		749,999,970	749,999,970
Share of post acquisition profits			
Opening		126,076,179	33,046,780
Share of profit for the year		289,919,927	93,029,399
		415,996,106	126,076,179
	15.1.1	1,165,996,076	876,076,149

	2010	2009
Number of shares held	74,999,997	74,999,997
Cost of investments (Rupees)	749,999,970	749,999,970
Ownership interest	49.99%	49.99%

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

15.1.1 The share of assets and liabilities of the jointly controlled entity at June 30 are as follows:

	2010 Rupees	2009 Rupees
Current assets	903,224,972	792,557,599
Non-current assets	1,542,593,620	1,515,927,988
	2,445,818,592	2,308,485,587
Current liabilities	(579,622,832)	(631,600,684)
Non-current liabilities	(700,199,685)	(800,808,754)
	1,165,996,075	876,076,149

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

	2010 Rupees	2009 Rupees
Total assets	4,891,637,380	4,616,971,357
Total liabilities	2,559,645,137	2,864,818,991
Revenue	6,407,983,280	3,918,196,887
Profit for the year	579,839,877	186,058,805

	Note	2010 Rupees	2009 Rupees

15.2 Investment in an associate
- Sunrays Textile Mills Limited

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

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

	2010 Rupees	2009 Rupees
Current assets	204,439,137	224,837,889
Non-current assets	212,756,795	219,680,971
	417,195,932	444,518,860
Current liabilities	128,489,327	210,130,628
Non-current liabilities	45,498,680	74,349,485
	173,988,007	284,480,113
	243,207,925	160,038,747

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

	2010 Rupees	2009 Rupees
Total assets	1,698,029,204	1,809,236,259
Total liabilities	708,148,606	1,157,862,536
Revenue	2,968,381,750	2,197,384,422
Profit for the year	337,492,210	52,412,750

16. LONG TERM DEPOSITS

	Note	2010 Rupees	2009 Rupees
Lease security deposits	16.1	3,498,824	978,670
Others		1,988,250	563,250
		5,487,074	1,541,920

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

	Note	2010 Rupees	2009 Rupees

17. STORES, SPARES AND LOOSE TOOLS

	Note	2010 Rupees	2009 Rupees
Stores, spares and loose tools	17.1	151,782,045	116,481,145
Less: Provision for slow moving and obsolete stock	17.2	(1,000,000)	(1,000,000)
		150,782,045	115,481,145

17.1 It includes stores and spares in transit amounting to Rs. 16,667,745 (2009: Rs 11,021,681)

17.2 Movement of provision

	2010 Rupees	2009 Rupees
Opening balance	1,000,000	-
Charge for the year	-	1,000,000
Closing balance	1,000,000	1,000,000

18. STOCK-IN-TRADE

	Note	2010 Rupees	2009 Rupees
Raw material	18.1	1,207,611,238	1,934,512,352
Packing material		26,431,547	22,149,354
Work-in-process		121,320,918	101,265,194
Finished goods		181,387,927	151,008,281
Waste		35,191,925	6,856,940
		1,571,943,555	2,215,792,121

18.1 It includes raw material in transit amounting to Rs. 79,176,282 (2009: Rs. 333,301,227)

19. TRADE DEBTS

	Note	2010 Rupees	2009 Rupees
Considered good			
Foreign debtors - secured		132,312,022	48,554,191
Local debtors - unsecured			
- Associated undertaking		26,696,633	23,841,819
- Others		562,952,328	443,309,575
		589,648,961	467,151,394
		721,960,983	515,705,585
Considered doubtful		1,903,567	2,015,849
		723,864,550	517,721,434
Less: Provision for doubtful debts	19.1	(1,903,567)	(2,015,849)
		721,960,983	515,705,585

19.1 Movement of provision

	2010 Rupees	2009 Rupees
Opening balance	2,015,849	3,418,266
Charge for the year	-	2,015,849
Reversal during the year	(82,830)	-
Written off during the year	(29,452)	(3,418,266)

Closing balance		1,903,567	2,015,849

	Note	2010 Rupees	2009 Rupees

20. LOANS AND ADVANCES

	Note	2010 Rupees	2009 Rupees
Considered good			
Loans to staff		8,253,809	10,772,228
Advance income tax - net	20.1	-	15,507,872
Advances to			
- Suppliers		5,196,296	22,446,240
- Others		9,887,149	9,184,571
		15,083,445	31,630,811
		23,337,254	57,910,911

20.1 Advance income tax - net

Advance income tax		143,400,968	92,396,664
Less: Provision for taxation		(187,503,660)	(76,888,792)
		(44,102,692)	15,507,872

21. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Considered good			
Security deposits		2,043,412	2,049,412
Margin deposits		9,000	412,500
Prepayments		810,577	225,115
		2,862,989	2,687,027

22. OTHER RECEIVABLES

Cotton claims		9,339,774	3,257,146
Subsidy on markup		3,275,909	10,007,718
Dividend		-	544,309
Others		1,637,177	312,999
		14,252,860	14,122,172

23. OTHER FINANCIAL ASSETS

Financial assets at fair value through profit and loss held for trading - listed equity securities		16,607,195	48,829,606
Unrealised Gain / (loss) on re-measurement at fair value		3,605,214	(12,755,452)
	23.1	20,212,409	36,074,154
Cost of financial assets		24,118,139	52,705,727

2010 No. of shares	2009 No. of shares		Note	2010 Rupees	2009 Rupees

23.1 *Market value of other financial assets*

-	25,500	Bank AL-Habib Limited	-	649,995
64,999	80,404	Fauji Fertilizer Company Limited	6,699,447	6,991,128
845,500	772,500	First Habib Modaraba	5,664,850	4,457,325
-	20,000	Kohinoor Energy Limited	-	580,000
26,387	26,400	National Bank of Pakistan	1,691,407	1,769,592
-	115,000	Oil & Gas Development Company Limited	-	9,043,600
100,000	100,000	Pakistan International Airlines Corporation	275,000	332,000
-	42,250	Pakistan Petroleum Limited	-	8,008,064
10,000	10,000	Pakistan State Oil Company Limited	2,602,000	2,136,500
60,500	55,000	United Bank Limited	3,279,705	2,105,950
			20,212,409	**36,074,154**

24. TAX REFUNDS

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

25. CASH AND BANK BALANCES

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

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

26. SALES

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

	10,911,595,271	8,470,151,891

26.1 It includes exchange gain of Rs. 2,079,291 (2009: Rs 37,158,933).

26.2 It includes indirect export of Rs. 4,395,439,272 (2009: Rs. 495,868,492)

26.3 It includes indirect export to related parties of Rs. 639,500,108 (2009: Rs.512,206,597).

27. COST OF GOODS SOLD

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

27.1 Raw material consumed

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

27.2 Manufacturing expenses

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

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

	Note	2010 Rupees	2009 Rupees

28. OTHER OPERATING INCOME

	Note	2010 Rupees	2009 Rupees
Gross profit of ice factories	28.1	1,067,874	1,267,098
Gross profit on trading of raw cotton	28.2	16,427,136	7,847,374
Gross profit on trading of stores and spares	28.3	6,299	37,256
Other income	28.4	27,756,977	9,375,334
		45,258,286	18,527,062

28.1 Gross profit of ice factories

	Note	2010 Rupees	2009 Rupees
Sales		9,544,540	10,927,377
Cost of goods sold	28.1.1	(8,476,666)	(9,660,279)
		1,067,874	1,267,098

28.1.1 Cost of goods sold

	2010 Rupees	2009 Rupees
Salaries, wages and benefits	1,480,554	1,660,125
Electricity	4,964,243	5,109,405
Diesel and lubricants	1,034,002	1,314,485
Repairs and maintenance	403,353	787,431
Lease rentals	260,000	150,000
Salt	31,969	50,029
Ammonia gas	50,305	79,078
Stationery	6,703	5,950
Miscellaneous	245,537	503,776
	8,476,666	9,660,279

28.2 Gross profit on trading of raw cotton

	2010 Rupees	2009 Rupees
Sales	289,094,692	58,440,232
Less: Cost of sales	(272,667,556)	(50,592,858)
	16,427,136	7,847,374

28.3 Gross profit on trading of stores and spares

	2010 Rupees	2009 Rupees
Sales	124,924	1,277,963
Less: Cost of sales	(118,625)	(1,240,707)
	6,299	37,256

	Note	2010 Rupees	2009 Rupees

28.4 Other income

Income from assets other than financial assets			
Scrap sale		2,875,411	3,147,614
Storage income		4,126,200	-
Insurance claim		161,350	-
Income from financial assets			
Gain on derivative financial liability		7,923,278	-
Gain on disposal of other financial assets		5,082,219	-
Dividend income		2,347,115	3,733,604
Unrealised gain on other financial assets		3,605,214	-
Profit on fixed deposits		1,553,360	2,494,116
Recovery of doubtful debts		82,830	-
		27,756,977	9,375,334

29. DISTRIBUTION COST

Freight and forwarding		202,727,879	174,391,032
Export development surcharge		9,267,772	8,362,512
Advertisement		2,123,537	3,428,080
Insurance		3,515,000	3,000,000
Others		-	2,693,798
		217,634,188	191,875,422

30. ADMINISTRATIVE EXPENSES

Salaries and other benefits	30.1	42,870,625	34,953,455
Repairs and maintenance		1,214,112	391,992
Postage and telephone		5,631,619	5,372,315
Traveling and conveyance		13,678,566	17,577,680
Vehicles running		5,552,723	5,476,431
Printing and stationery		3,051,860	2,841,815
Rent and electricity		10,359,200	7,721,649
Entertainment		1,373,749	1,085,438
Fees and subscription		2,329,343	895,067
Insurance		2,340,000	2,000,000
Legal and professional		1,390,775	661,819
Charity and donations	30.2	1,123,400	1,069,168
Auditors' remuneration	30.3	1,554,561	1,477,997
Depreciation on property, plant and equipment	14.1	8,419,275	8,279,354
Others		3,250,151	2,145,793
		104,139,959	91,949,973

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

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

30.3 Auditors' remuneration

	2010 Rupees	2009 Rupees
Audit fee	1,000,000	1,000,000
Half year limited review fee	225,000	225,000
Fee for certifications	45,000	45,000
Out of pocket expenses	284,561	207,997
	1,554,561	1,477,997

31. OTHER OPERATING EXPENSES

	2010 Rupees	2009 Rupees
Workers' profit participation fund	87,173,943	9,046,559
Workers' welfare fund	32,508,146	4,098,719
Exchange loss	23,616,137	3,244,073
Loss on derivative financial liability	-	88,765,609
Unrealised loss on other financial assets	-	12,755,452
Loss on disposal of other financial assets	-	737,148
Loss on disposal of property, plant and equipment	142,042	205,629
	143,440,267	118,853,189

32. FINANCE COST

	2010 Rupees	2009 Rupees
Mark-up on:		
- long-term financing including long-term murabaha finance	183,585,790	207,823,036
- liabilities against assets subject to finance lease	2,622,823	3,165,889
- short-term borrowings	243,985,531	303,962,693
Discounting charges on local LC's	54,629,821	55,557,928
Interest on workers' profit participation fund	605,153	785,911
Bank charges and commission	10,273,263	10,875,814
	495,702,381	582,171,271

33. TAXATION

	2010 Rupees	2009 Rupees
Current	187,503,660	74,912,657
Deferred	(49,332,068)	7,480,360
	138,171,592	82,393,017

33.1 RELATIONSHIP BETWEEN ACCOUNTING PROFIT AND TAX EXPENSE

	2010 Rupees	2009 Rupees
Profit before tax	1,996,636,569	273,692,802
Tax calculated at the rate of 35%	698,822,799	95,792,481
Effect of applicability of lower tax rate on certain incomes	(1,398,941)	(1,556,930)
Effect of tax under final tax regime	(590,768,280)	(63,106,444)
Tax liability under final tax regime	79,940,043	43,160,779

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

34. EARNINGS PER SHARE - BASIC AND DILUTED

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

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

	Note	***2010 Rupees***	***2009 Rupees***

35. CASH GENERATED FROM OPERATIONS

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

36. CASH AND CASH EQUIVALENTS

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

37. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTORS

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

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

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

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

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

38. TRANSACTION WITH RELATED PARTIES

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

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

	Purchase of yarn	22,729,126	20,803,759
	Payments made on behalf of associate	28,811,992	14,531,074
	Payments made by the associate on behalf of the Company	28,307,641	11,503,338

Relationship with the Company	**Nature of transactions**	***2010 Rupees***	***2009 Rupees***
Joint Venture	Sale of property, plant and equipment	8,000,000	-
	Sale of yarn	627,930,608	495,868,492
Directors	Long term loan repaid	73,000,000	-
	Long term loan received	-	73,000,000
	Short term loan repaid	57,683,728	-
	Short term loan received	-	65,307,350

39. FINANCIAL RISK MANAGEMENT

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

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

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

39.1 Credit risk and concentration of credit risk

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

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

Credit risk related to receivables

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

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

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

Credit risk related to financial instruments and cash deposits

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

39.3 Market risk management

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

39.3.1 Interest rate risk management

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

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

39.3.2 Foreign exchange risk management

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

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

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

39.3.3 Equity price risk management

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

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

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

39.4 Determination of fair values

Fair value of financial instruments

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

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

39.5 *Financial instruments by category*

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

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

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

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

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

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

39.6 ***Fair value hierarchy***

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Fair value through P&L				
Other financial assets	20,212,409			20,212,409
Total	20,212,409	-	-	20,212,409

40. CAPITAL RISK MANAGEMENT

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

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

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

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

41. CAPACITY AND PRODUCTION

	2010	2009
Spinning units		
Total number of spindles installed	130,224	130,224
Total number of spindles worked per annum (average)	129,255	129,705
Number of shifts worked per day	3	3
Installed capacity of yarn converted into 20 counts based on 365 days (lbs.)	96,948,694	97,733,267
Actual production for the year after conversion into 20 counts (lbs.)	89,301,761	89,647,782

	2010	2009
Ginning units		
Installed capacity to produce cotton bales	151,700	124,700
Actual production of cotton bales	40,379	45,212
Number of shifts	1	2
Capacity attained in (%)	26.62%	36.26%

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

42. SEGMENT REPORTING

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

42. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

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

43. DATE OF AUTHORIZATION FOR ISSUE

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

44. RECLASSIFICATION

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

45. GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive Officer ***Director***

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

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

39.2 Liquidity risk management

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

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

39.2.1 Liquidity and interest risk table

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

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

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