بسم الله الرحمن الرحيم

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COMPANY INFORMATION

Board of Directors	Mr. Muhammad Ismail (Chief Executive) Mr. Umar Farooq Sheikh Mr. Hussain Ahmad Fazal Mrs. Attiqa Hussain Mst. Ghazala Nasreen Mst. Farhat Nishat Mr. Imtiaz Fazal
Chief Financial Officer	Mr. Mushtaq Ahmad
Auditors	Tariq Ayub Anwar & Co. Chartered Accountants
Bankers	Askari Bank Limited Allied Bank Limited National Bank of Pakistan Habib Bank Limited Soneri Bank Limited MCB Bank Limited Bank Al-Habib Limited Pak Oman Investment Co. Ltd. Bank Islami Pakistan Ltd. Faysal Bank Limited

Offices:

Karachi:	Room # 808, 8th Floor, Saima Trade Tower-B, I.I. Chundrigar Road, Karachi. Ph. No. 92-21-2217328-9
Multan (Unit-1&3)	Fazalabad, Vehari Road, Opp. Timber Market, Multan. Ph. No. 92-61-6527238, 6528245, 6760524 Fax No. 92-61-6526487, 6526572 Web Site: www.hussaingroup.com
Multan (Unit-2)	35-KM Bahawalpur Road, Near Adda Muhammad Pur, Multan.
Multan (Unit-4)	Qadir Pur Rawan Bypass, Khanewal Road, Multan. Ph. NO. 92-61-4578866-7

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of your Company are pleased to present before you the 31st Annual Report of your Company together with Annual Audited Financial Statements for the Year ended 30th June, 2009.

OVERVIEW

The financial year ended 30th June, 2009 was a great milestone for the Company. Your Company has made an excellent achievement inspite of Financial and Textile Industry crises in home and foreign markets by making a record sale of Rs. 6.254 Billion during the year ended 30th June, 2009 (2008: Rs. 5.392 Billion) and registered a growth rate of 15.98%.

OPERATIONAL PERFORMANCE

To have a quick look on the performance of the Company during the Year under review the following are the financial highlights of the Company with comparison of the previous year.

	2009 Rupees	2008 Rupees
Sale	6,253,776,491	5,392,224,041
Gross Profit	1,006,899,865	673,963,859
Profit before Taxation	48,590,105	82,578,920
Taxation	(37,902,233)	(47,566,544)
Profit after Taxation	10,687,871	35,012,376
Earning Per Share	0.57	1.86

During the year under review, your Company continued to perform well and earned Gross Profit of Rs. 1.007 billion with a registered growth of 49.40% over the comparative year. The performance with respect to Profit before Taxation has decreased significantly which is due to ongoing problems occurred in the financial year 2008-09. The financial year 2008-09 was a tough year for the country's textile industry. The year started with an ongoing tough situation due to adverse security conditions resulted from continuing war on terror. The matters were further exacerbated by global economic recession, which decreased the overall demand in the USA and European Markets. Further, severe devaluation in Pak Rupee making foreign currency-denominated loans expensive and escalating interest rates, caused an increase in Finance Cost from Rs. 384 Million in 2008 to Rs. 672 Million in current financial year. However, the management is quite sure that it will overcome this problem in near future with better management efforts and strategic planning.

Although the performance of the overall industrial sector remains depressed we have made it challenging by strategic planning and prudent procurement of raw material which had a very positive effect in off setting the other negative factors and on the performance of the Company.

OPERATIONAL REVIEW

The financial year under review was perhaps the most difficult Year. Political uncertainty, abnormal hike in crude oil prices, increase in price of cotton, gas, electricity, transportation and increase in minimum wage rate, presented extremely difficult challenges for the Management. Moreover, our Company faced tough competition in both local and export markets.

Despite all of these challenges we tried to win business in local as well as in international markets and volume of our local sales and exports increased by 7.06% and 22.71%, respectively. Our strategy in this competition was to diversify ourselves customer wise, market wise and product wise. This was the only way to survive in such uncertain markets.

GENERAL MARKET SCENARIO AND FUTURE PROSPECTS

The fiscal year ended 30th June, 2009 observed some major changes in world economics in general and textile sector in particular. This year witnessed crude oil touching the record high of $ 147 per barrel, substitution of food crops to biofuel crops, rising capital and commodity prices indexes and galloping inflation in all major economies of the world. Overall there was a major shift in fuel, labour and operating costs of all business activities. Consequently, the textile outputs and exports have been declining over the past two years- Textile Exports, USD 10.3 billion in 2007-08, dropped to USD 9.7 billion during 2008-09 out of country's total annual exports of close to USD 20 billion.

For textile sector, matters were further complicated by an unprecedented rise in cotton prices in September and October 2008, with no signs of stability by the year end. Additional factors were energy crisis at domestic level, low yield of cotton in Pakistan and a very weak demand from US and Europe and credit crunch for general consumers.

Forecasting future is intricate in the present scenario of the country and capricious market. It mainly depends upon cotton market for the coming season, which seems bullish. As per estimate of experts, Pakistani cotton production is short by approximately 30% to 35% as compared to the demand. We consider that our government should chalk out a proper and long term textile policy for the survival of the industry.

On our part, we need to increase customers profile and explore new markets to increase business volumes. Our strategy to drive our marketing activities would be the timely adoption of innovative products, finishing and production techniques.

SPINNING SECTION

The Year 2009 mainly started with difficulties in the shape of the bullish and uncertain cotton market. The highest cotton prices were witnessed during the year in Pakistan. Cotton prices started with Rs. 2,900/maund and went up to Rs. 4,120/maund during this year. Most of the Spinning mills remained in a serious cotton crisis through out the Year. We, however passed these crisis by following our policy for timely procurement of cotton which helped us to achieve quality results.

Demand of 100% grey cotton yarn remained steady and we tried to uphold the prices along with market and to retain the over all spinning section in profits. By the end of the year, Far East market showed a good response in terms of demand and prices of carded & combed yarn. Far East remained our main selling market for cotton yarn. USA had some steady demand during the year, where as in Europe demand for cotton yarn was further reduced.

Development in terms of machinery replacement is under way for better quality of yarn in our spinning section.

WEAVING SECTION

During the Year under review, we have observed highest ever yarn prices which made the job more difficult. The increase in the yarn prices was not absorbed by the fabric prices. We faced a lot of difficulties to win business in the international market because of high raw material prices. Moreover, political instability, law and order situation and energy crisis (Oil, Gas and Power shortage), increased our cost of production and held our product uncompetitive in international market. It is becoming difficult to maintain our performance in the present scenario.

We have installed looms of different widths to meet the varying requirements of all of our customers. During the Year we have installed 17 air jet looms. By addition of these looms, we will be more competitive and would be able to supply all type of grey fabric of varying widths. We hope that after addition of these looms, we will not lose any business because of the width problem, especially stretch articles.

We have added new European customers range and started to expand our business to France, Denmark, Turkey to fulfill the gap of the Fareast and South American Markets.

BREAKUP VALUE AND EARNING PER SHARE

The Breakup Value of your share as on 30th June, 2009 is Rs. 36.06 (2008: Rs. 32.76). The Earning per Share (EPS) of your Company for the year ended 30th June, 2009 is Rs. 0.57 (2008: Rs. 1.86).

RELATED PARTY TRANSACTIONS

It is the policy of the Company to ensure that all transactions entered with related parties must be at arms length. The Company adopts comparable uncontrolled price method for pricing of transaction with related parties, if any.

FINANCIAL STATEMENTS

The Financial Statements of the company have duly been audited by the auditors of the Company, M/S Tariq Ayub, Anwar & Co. Chartered Accountants, have issued a clean audit report on the Financial Statements for the Year ended 30th June, 2009 which is attached to the Financial Statements.

No material changes in contingencies and commitments, affecting the financial position of your company, have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report.

AUDITORS

The retiring auditors M/S Tariq Ayub, Anwar & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment. The Board has recommended their re-appointment as external auditors until the conclusion of the next Annual General Meeting. M/S Tariq Ayub, Anwar & Co., Chartered Accountants are a member firm of Clarkson Hyde International world wide. They are also on the panel of the State Bank of Pakistan and have been given a satisfactorily rating under the quality control review program of the Institute of Chartered Accountants of Pakistan.

SAFETY, HEALTH & ENVIRONMENT

We maintain our commitment to higher standard of Safety, Health and Environment. All our employees undergo continuous training on all aspects of safety especially with regards to the safe production, delivery, storage and handling of the materials. In addition we have initiated a rotation exercise at the mill whereby our aim is to ensure that all supervisors are also safety managers and are fully cognizant of all aspects of safety training. Due to these controls, no major accidents or incidents took place at the mill.

CORPORATE SOCIAL RESPONSIBILITY

Your Company has been effective in implementing and following distinct Corporate and Social Responsibility (CSR) policy. This policy aims at fulfilling the company's responsibilities of securing the community within which it operates.

TRAINING & DEVELOPMENT

Your company believes in human resource development through training and development and places due emphasis on training in all spheres of its production process. The company focused to provide cost effective training programs to its employees in order to enhance quality of products. This will help the company in preparing a highly skilled workforce and also provides replacements to cover turnover.

EXPANSION PLAN

In view of the current economic scenario where the cost of financing and production is rapidly increasing, the Management of your Company is reconsidering its expansion strategy. However, normal BMR will continue as and when required.

ACKNOWLEDGMENT

Your directors' record with appreciation, the efforts of the company's executives, managers, technicians and workers who have worked vigorously to meet the targets set before them. Your directors also extended their appreciation to the company's bankers, valued customers, suppliers, shareholders and government authorities for the cooperation extended by them during the Year.

For and on behalf of the Board

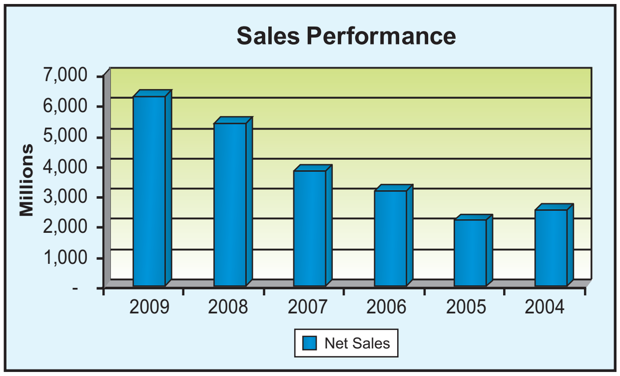
LAHORE:
2ND OCTOBER, 2009

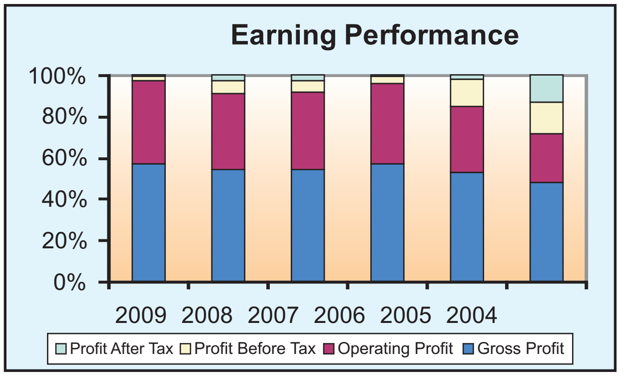
HUSSAIN AHMAD FAZAL
Director

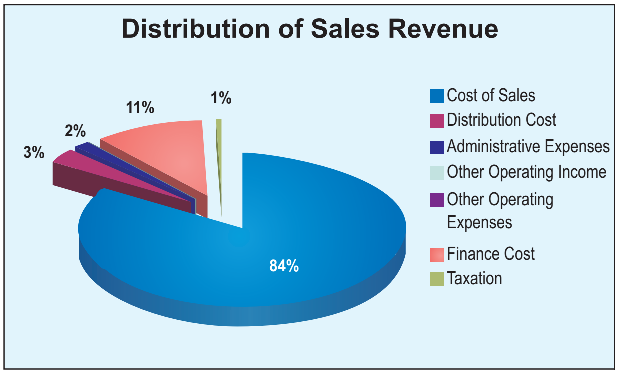
FINANCIAL HIGHLIGHTS
Six Year Growth at Glance

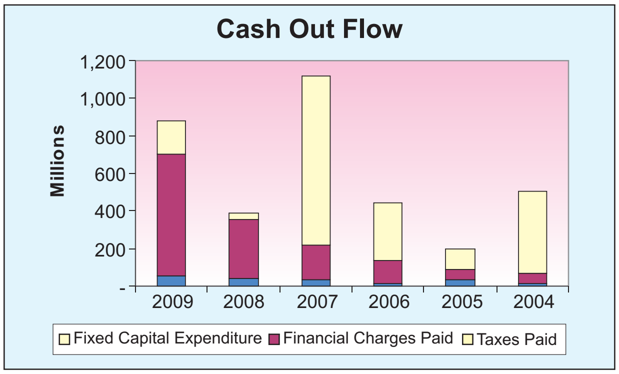
PARTICULARS	Year 30th June,				Ten Months	Year Ended
	2009	2008	2007	2006	Ended 30th June, 2005	31st August 2004
Profit and Loss						
Net Sales	6,253,776,491	5,392,224,041	3,768,564,364	3,132,314,226	2,171,352,015	2,504,199,837
Gross Profit	1,006,899,865	673,963,859	320,796,913	229,264,784	224,611,013	201,693,767
Operating Profit	720,857,568	466,866,082	223,449,866	156,524,001	136,937,994	98,108,785
Profit Before Tax	48,590,105	82,578,920	32,758,077	15,275,897	56,770,929	66,224,030
Profit After Tax	10,687,871	35,012,376	17,420,308	3,741,203	11,264,948	56,652,932
Cash Out Flows						
Taxes Paid	56,781,883	37,714,858	33,190,258	11,443,521	31,760,787	13,571,098
Financial Charges Paid	645,368,872	318,667,722	184,161,303	124,902,702	56,358,885	52,193,087
Fixed Capital Expenditure	180,432,327	35,156,783	901,085,409	309,685,386	112,813,864	440,651,820
Balance Sheet						
Current Assets	3,333,607,643	2,982,785,169	1,724,892,482	1,579,151,090	900,220,801	769,015,662
Current Liabilities	3,229,024,162	3,141,774,473	1,831,859,983	1,663,603,996	913,496,599	767,716,378
Operating Fixed Assets - Owned	3,794,569,153	3,797,735,853	3,938,186,825	1,386,599,498	1,247,875,636	1,210,596,130
Total Assets	7,394,097,893	7,027,046,305	5,843,825,730	3,130,204,529	2,259,921,419	2,121,554,980
Long Term Loans and Finances	1,643,560,501	1,373,066,708	1,502,318,149	603,749,009	468,704,048	673,573,648
Shareholders' Equity	677,856,044	615,945,623	577,419,493	538,080,754	505,542,896	317,239,418
Financial Ratios						
Current Ratio	1.03	0.95	0.94	0.95	0.99	1.00
Gearing Ratio	0.83	0.85	0.82	0.79	0.72	0.74
Gross Profit Ratio (%age)	16.10	12.50	8.51	7.32	10.34	8.05
Net Profit Ratio (%age)	0.17	0.65	0.46	0.12	0.52	2.26
Return on Capital Employed (%age)	1.58	5.68	3.02	0.70	2.23	17.86
Earning Per Share	0.57	1.86	0.93	0.20	0.60	3.01
Production Machines						
Spinning Section						
Spindles Installed	76,440	76,440	76,440	55,640	51,912	50,880
Spindles Works	76,440	76,440	76,440	55,640	51,912	50,880
Number of Rotors Installed	2,000	2,000	2,000	2,000	2,000	2,000
Number of Rotors Worked	2,000	2,000	2,000	2,000	2,000	2,000
No. of Shifts Worked per Day	3	3	3	3	3	3
Installed Capacity after conversion into 20/s Count (Kgs.)	30,513,554	32,894,703	30,790,050	23,373,305	18,408,230	17,704,092
Actual Production after conversion into 20/s Count Kgs.)	22,674,377	24,703,924	24,009,611	18,375,441	15,232,356	14,778,340
Weaving Section						
Number of Looms Installed	120	103	103	-	-	-
Number of Looms Worked	120	103	103	-	-	-
Number of Shifts Worked per day	3	3	3	-	-	-
Installed Capacity after conversion into 50 Picks - Sq. Meter	29,471,525	24,477,256	10,059,146	-	-	-
Actual Capacity after conversion into 50 Picks - Sq. Meter	23,112,011	19,846,243	8,976,197	-	-	-

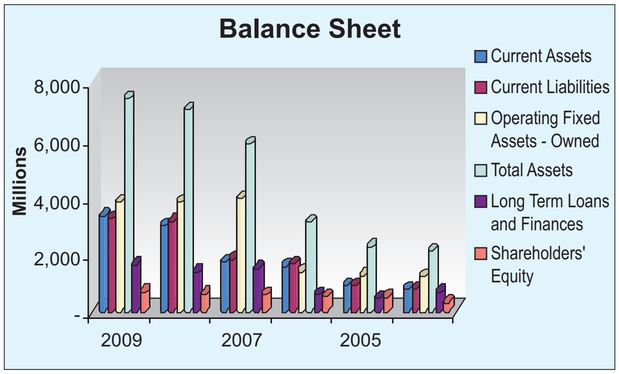
FINANCIAL HIGHLIGHTS

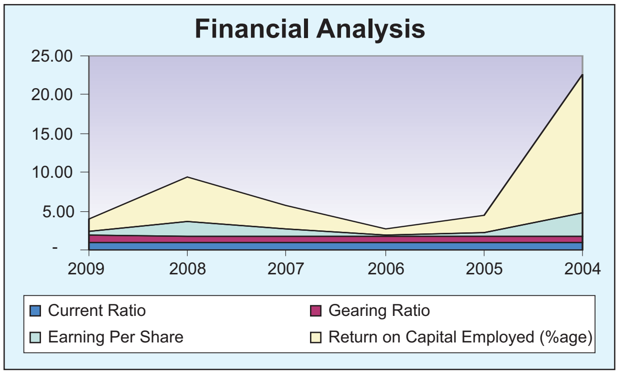


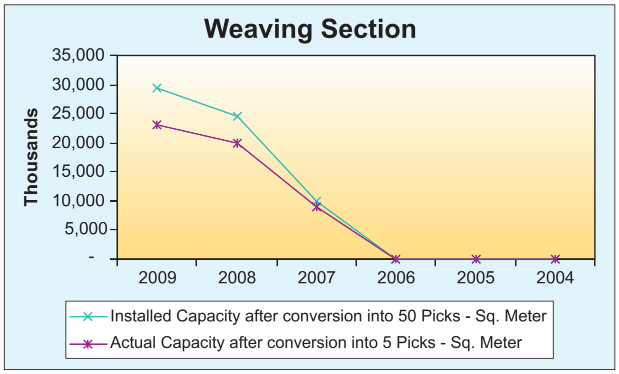


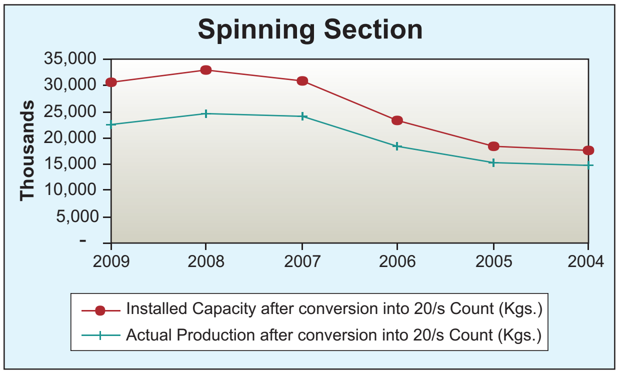












AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Hussain Mills Limited** as at 30th June, 2009 and the related Profit & Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the Year then ended and we state that we have obtained all the information and the explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

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

We conducted our audit in accordance with the Auditing Standards as applicable in Pakistan. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said Statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said Statements. An audit also includes assessing the Accounting Policies and significant Estimates made by the Management, as well as evaluating the overall presentation of the above said Statements. We believe that our audit provides a reasonable basis for our Opinion and, after due verification, we report that:

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

b) in our opinion;
   i) the Balance Sheet and the Profit & Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the Books of Account and are further in accordance with Accounting Policies consistently applied except for the change stated in Note 3.16 to the Financial Statement with which we concur.

   ii) the Expenditure incurred during the Year was for the purpose of Company's business, and

   iii) the Business Conducted, investments made and the Expenditure incurred during the Year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss Account, Cash Flow Statement and the Statement of Changes in Equity, together with the Notes forming part thereof, give the information required by the Companies Ordinance, 1984. In the manner so required and respectively give a true and fair view of the state of Company's affairs as at 30th June, 2009 and of the Profit and the Cash Flows for the year then ended; and

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

Lahore:
84-B-I, Gulberg-III
2nd October, 2009

TARIQ AYUB, ANWAR & CO.
CHARTERED ACCOUNTANTS
AUDIT ENGAGEMENT PARTNER: MUHAMMAD ANWAR KHAN

BALANCE SHEET

As at 30TH JUNE, 2009

	Note	2009 Rupees	2008 Rupees
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized capital			
20,000,000 Ordinary Shares of Rs. 10 each		200,000,000	200,000,000
Issued, Subscribed & Paid Up Capital	4	187,997,420	187,997,420
Premium on Issue of Shares		2,400,000	2,400,000
Investments Fair Value Reserve		223,936	7,727,987
Un-appropriated Profit		487,234,688	417,820,216
		677,856,044	615,945,623
SURPLUS ON REVALUATION OF FIXED ASSETS	5	1,596,096,872	1,654,823,472
NON CURRENT LIABILITIES			
Long Term Finances	6	1,643,560,501	1,373,065,708
Deferred Liabilities	7	247,560,314	241,437,029
		1,891,120,815	1,614,502,737
CURRENT LIABILITIES			
Trade & Other Payables	8	300,093,391	110,193,573
Accrued Interest & Mark-up-Secured	9	115,330,522	88,724,722
Short Term Finances - Secured	10	2,593,341,480	2,503,933,618
Current Portion of Long Term Liabilities	11	220,258,769	438,922,560
		3,229,024,162	3,141,774,473
CONTINGENCIES & COMMITMENTS	12	-	-
		7,394,097,893	7,027,046,305
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	3,806,691,941	3,797,796,498
Long Term Investments	14	190,438,394	197,673,524
Long term Loans & Advances	15	53,312,000	38,720,000
Long Term Deposits & Prepayments	16	10,047,914	10,071,114
		4,060,490,249	4,044,261,136
CURRENT ASSETS			
Stores, Spares & Loose Tools	17	61,600,093	67,978,629
Stock in Trade	18	2,009,342,151	1,812,848,929
Trade Debtors	19	333,363,581	355,841,951
Loans & Advances	20	738,110,557	395,038,585
Trade Deposits & Short Term Prepayments	21	19,708,432	47,902,526
Interest Accrued	22	892,752	3,846,062
Other Receivables	23	61,007,940	74,510,905
Short Term Investments	24	32,639,844	15,334,069
Tex Refunds Due from Government Departments	25	21,912,360	21,912,360
Cash & Bank Balances	26	55,029,934	187,571,153
		3,333,607,644	2,982,785,169
		7,394,097,893	7,027,046,305

The annexed Notes from 1 to 45 form an integral part of these Accounts.

Lahore: 2nd October, 2009	sd/- **(UMER FAROOQ)** DIRECTOR	sd/- **(MUHAMMAD ISMAIL)** CHIEF EXECUTIVE

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE, 2009

	Note	2009 Rupees	2008 Rupees
Sales	27	6,253,776,491	5,392,224,041
Cost of Sales	28	(5,246,876,626)	(4,718,260,182)
Gross Profit		1,006,899,865	673,963,859
Distribution Cost	29	(185,121,253)	(153,006,765)
Administrative Expenses	30	(99,235,966)	(97,978,981)
Other Operating Income	31	872,296	47,421,918
Other Operating Expenses	32	(2,557,374)	(3,533,949)
Operating Profit		720,857,568	466,866,082
Finance Cost	33	(672,267,463)	(384,287,162)
Net Profit for the year before Taxation		48,590,105	82,578,920
Taxation	34	(37,902,233)	(47,566,544)
Net Profit for the Year after Taxation		10,687,872	35,012,376
Earning Per Share	38	0.57	1.86

The annexed Notes from 1 to 44 form an integral part of these Financial Statements

Lahore:
2nd October, 2009

sd/-
(UMER FAROOQ)
DIRECTOR

sd/-
(MUHAMMAD ISMAIL)
CHIEF EXECUTIVE

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE, 2009

	Note	2009 Rupees	2008 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Generated from Operations	36	628,626,166	(644,111,646)
Taxes Paid		(56,781,883)	(37,714,858)
Finance Cost Paid		(645,368,872)	(318,667,722)
Gratuity Paid		(12,875,420)	(7,074,955)
Workers' (Profit) Participation Fund Paid		(3,411,690)	(1,824,233)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(89,811,699)	(1,009,393,414)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed Capital Expenditure		(181,911,038)	(36,374,783)
Long Term Investments		-	(81,799,896)
Long Term Loan		(14,592,000)	(38,720,000)
Return on Bank Deposits		7,634,870	6,044,592
Dividend Received		3,397,872	76,961
Long Term Deposits & Prepayments		23,200	(35,000)
Proceeds from Disposal of Fixed Assets		1,478,712	1,218,000
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(183,968,384)	(149,590,126)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Long Term Finances		278,907,275	333,040,225
Repayment of Long Term Finances		(299,823,378)	(243,301,802)
Loan from Related Party - Subsidiary Company		-	(100,000,000)
Loan from Directors		72,747,105	75,594,158
NET CASH INFLOW FROM FINANCING ACTIVITIES		51,831,002	65,332,581
NET DECREASE IN CASH & CASH EQUIVALENTS		(221,949,081)	(1,093,650,959)
CASH & CASH EQUIVALENTS AS AT 1ST JULY, 2008		(2,316,362,465)	(1,222,711,506)
CASH & CASH EQUIVALENTS AS AT 30TH JUNE, 2009	37	(2,538,311,546)	(2,316,362,465)

The annexed Notes from 1 to 44 form an integral part of these Financial Accounts.

Lahore: 2nd October, 2009	sd/- **(UMER FAROOQ)** DIRECTOR	sd/- **(MUHAMMAD ISMAIL)** CHIEF EXECUTIVE

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH JUNE, 2009

Particulars	PAID-UP SHARE CAPITAL	CAPITAL RESERVE	REVENUE RESERVES		TOTAL
		PREMIUM ON ISSUE OF SHARES	INVESTMENTS FAIR VALUE RESERVE	UN-APPROPR-IATED PROFIT	
	R U P E E S				
Balance as at 30th June, 2007 - Original	**187,997,420**	**2,400,000**	**85,500**	**386,936,573**	**577,419,493**
Deferred Cost amortized due to Change in accounting Policy (Note 3.16)	-	-	-	(62,256,674)	(62,256,674)
Balance as at 30th June, 2007 - Restated	**187,997,420**	**2,400,000**	**85,500**	**324,679,899**	**515,162,819**
Incremental Depreciation on Revaluation of Fixed Assets	-	-	-	58,127,941	58,127,941
Un-realized Gain on Re-measurement of Fair Value of Investments Held for Sale	-	-	7,642,487	-	7,642,487
Net Profit for the Year ended 30th June, 2008	-	-	-	35,012,376	35,012,376
Balance as at 30th June, 2008 - Restated	**187,997,420**	**2,400,000**	**7,727,987**	**417,820,216**	**615,945,623**
Incremental Depreciation on Revaluation of Fixed Assets	-	-	-	58,726,600	58,726,600
Un-realized Loss on Re-measurement of Fair Value of Investments Held for Sale	-	-	(7,504,051)	-	(7,504,051)
Net Profit for the Year ended 30th June, 2009	-	-	-	10,687,872	10,687,872
Balance as at 30th June, 2009	**187,997,420**	**2,400,000**	**223,936**	**487,234,688**	**677,856,044**

The annexed Notes from 1 to 44 form an integral part of these Financial Statements.

Lahore:
2nd October, 2009

sd/-
(UMER FAROOQ)
DIRECTOR

sd/-
(MUHAMMAD ISMAIL)
CHIEF EXECUTIVE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH JUNE, 2009

1. STATUS AND NATURE OF BUSINESS

Hussain Mills Limited ("the Company") was incorporated in Pakistan on 31st March, 1980 as a Public Limited Company under the Companies Act 1913 (Now Companies Ordinance, 1984). This is an unquoted Company which is principally engaged in the manufacture and sale of Yarn & Fabric. The manufacturing units of the Company are located in the vicinity of Multan. The principal office of the Company is situated at Saima Trade Tower-B, I I Chundrigar Road, Karachi.

2. BASIS OF PREPARATION

2.1 Basis of Measurement

These Financial Statements have been prepared under the historical cost convention except for revaluation/re-measurement of certain Fixed Assets as stated in Note 5 and re-measurement of certain Financial Instruments at Fair Value (Note 14.4 & Note 24), without any adjustment of Inflation or Current Values, if any, using, except for Cash Flow Statement, Accrual basis of Accounting.

2.2 Statement of Compliance

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

Standards, Interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Company's Financial Statements covering annual periods, beginning on or after the following dates:

Amendments to published standards effective in current year

IFRIC-14, IAS-19 "The limit on a defined benefit asset, minimum funding requirements and their interaction' is effective from January 1, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum requirement. It's adoption does not have any significant impact on the Company's Financial Statements.

IFRS-7 'Financial Instruments: Disclosures' is effective from July 01, 2008 and supersedes the disclosure requirements of IAS-32 'Financial Instruments; presentation' . It introduces new disclosures relating to Financial Instruments which have been set out in Note 39 to these Financial Statements. It's adoption does not have any impact on the classification and valuation of the Company's Financial Instruments.

Amendments and interpretations to published standards applicable to the Company not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates:

IAS-1 Revised), "Presentation of Financial Statements" is effective from January 1,2009. The revised standard will prohibit the presentation of items of income and expenses (that is, 'Non-owner changes in Equity') in the statement of changes in equity, requiring 'Non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in performance statement, but Company can choose whether to present one performance statement (the statement of comprehensive Income) or two statements (the income statement and statement of comprehensive Income). The above standard will only impact the presentation of Financial Statements.

Certain amendments to IAS-23 "Borrowing Costs" have been published that are applicable to the Company's Financial Statements covering annual periods, beginning on or after January 1, 2009. Adoption of these amendments would require the Company to capitalise the borrowing cost directly attributable to acquisition, construction or production of a qualifying asset (one that take substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these Borrowing Costs will be removed. Its adoption will not have any impact on the Company's Financial Statements.

Standards and interpretations to existing standards that are not applicable to the Company and not yet effective

IFRS-8, "Operating Segments" replaces IAS-14 and is effective from Financial Year July 1, 2009. IFRS 8 provides guidance for disclosure of information about entity's operating segments, products and services, geographical areas in which it operates, and major customers. This standard is not relevant to the Company's operations.

IFRIC-12, "Service concession arrangements" applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC-12 is effective from Financial Year July 1, 2008 but it is not effective to the Company's operations.

IFRIC-13, "Customer loyalty programmes" clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC-13 is effective from July 1, 2008 but it is not relevant to the Company's operations.

In addition to the above, a new standard 'IFRS-4 "Insurance Contracts" has been issued by the International Accounting Standards board and has been adopted by the ICAP but the notification from SECP is still awaited and hence, presently do not form part of the local Financial Reporting framework.

2.3 Critical Accountig Estimates & Judgements

The preparation of Financial Statements in conformity with the approved accounting standards and application of the Company's significant accounting policies stated in Note 3, requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances, Following are the areas where various assumptions and estimates are significant to the Company's Financial Statements or where judgment was exercised in application of accounting policies are as follows:

i)	Taxation	(Note 7.2)
ii)	Employees Retirement Benefits	(Note 7.3)
iii)	Useful Life of Assets & Method of Depreciation/Amortization	(Note 13)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The significant accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.2 Staff Retirement Benefits

The Company operates an unfunded Gratuity Scheme covering all permanent Employees of the

Company who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually to cover the obligation and charged to income currently.

3.3 Taxation

Current:
Charge for Taxation is based on taxable income if any, at the current rates of tax after taking into account available tax credits and tax rebates, if any.

Deferred:
Deferred Tax is recognised using balance sheet liability method in respect of all taxable temporary timing differences between the amounts used for financial reporting purpose and amounts used for taxation purposes. However, Deferred Tax is not provided if it can be established with reasonable accuracy that these differences will not reverse in the foreseeable future.

The Company recognises deferred tax assets on all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated using rates that are expected to apply to the period when these differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is charged or credited in the profit & loss account, except where deferred tax arises on the items credited or charged directly to the equity, in which case it is included in equity.

3.4 Foreign Currency Translations

The Financial Statements are prepared in Pak Rupees, which is the Company's functional and presentation currency.

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Exchange gains/losses due to exchange fluctuations on principal loans are capitalised as part of the cost of machinery acquired out of the proceeds of such Foreign Currency Loans. All other exchange differences are taken to the Profit and Loss Account.

3.5 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 charged to income in the period of incurrence.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

3.6 Property, Plant & Equipment

These are stated at Cost less accumulated Depreciation and impairment, if any, except Freehold Land, Buildings, Plant and Machinery and Capital work-in-Progress. Buildings on freehold land and Plant and Machinery are stated at re-valued amount less accumulated Depreciation thereon. Freehold Land and Capital Work-in- Progress are stated at Re-Valued Amount & Cost, respectively. Cost, in relation to Capital Work in Progress, consists of expenditure incurred in respect of Fixed Assets in the course of their construction, installation & acquisition.

Cost of certain items of Plant and Machinery consists of historical cost and exchange fluctuations on foreign currency loans utilised for acquisition thereof. Borrowing Costs pertaining to erection / construction period are capitalised as part of the historical cost.

Depreciation is charged to income applying the reducing balance method to write-off the Cost, capitalised Exchange Fluctuations and Borrowing Costs over the estimated remaining useful life of the assets. The useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these items of Fixed Assets. Rates of Depreciation are stated in Note 13.2. 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. Gains/losses on disposal of Fixed Assets are taken to Profit and Loss Account.

Depreciation on major additions to the Fixed Assets is charged from the month in which Fixed Asset is put to use or becomes operational while no depreciation is charged for the month in which Fixed Asset is disposed off.

Change in Accounting Estimate

During the year, the company has revised the estimated useful life of its Property, Plant & Equipment and accordingly, decided to charge depreciation on additions to Property, Plant & Equipment from the month such asset is available for use and upto the month when such asset is disposed off or otherwise derecognised. Previously, full year depreciation was charged on additions to Property, Plant & Equipment while, no depreciation was charged for the year in which the asset is disposed off or otherwise derecognised. This change has been accounted for as a change in accounting estimate with prospective effect in accordance with the treatment specified in International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no changed in accounting estimate, the Profit for the year and Written Down Value of Property, Plant & Equipment would have been lower, by Rs. 3,725,606.

Minor Repairs and Maintenance are charged to Income, as and when incurred. Major Renewals and Replacements are capitalised and the Assets so replaced, if any, other than those retained as stand by, are retired.

3.7 Assets Subject to Finance Lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of lease are accounted for as liabilities. Financial charges are allocated to the accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Depreciation is charged at the rates stated in Note 13.2 applying the reducing balance method to write-off the Cost of the Asset over its estimated remaining useful life in view of certainty of ownership of Assets at the end of the lease period.

Financial Charges and Depreciation on leased Assets are charged to Income currently.

3.8 Intangible Assets

Intangible assets are stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to income on straight line basis during the estimated useful life of assets. The useful life is reviewed periodically to ensure that it is consistent with the expected pattern of economic benefits.

Amortization is charged from the month of acquisition and upto the month preceding the disposal respectively. Gain/ loss on disposal of intangible assets are taken to profit and loss account.

3.9 Investments & other Financial Assets

Investment in Subsidiary
Investment in subsidiary is carried at cost and is classified as Held for Sale.

Others
Financial Assets in the scope of IAS 39: "Financial Instruments - Recognition & Measurement", are classified as either Financial Assets at Fair Value through Profit & Loss, Loans & Receivables, Held to Maturity Investments & Held for Sale Financial Assets as appropriate. When Financial Assets are recognised initially, they are measured at fair value, plus, in the case of Investments not at Fair Value through Profit or Loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and where allowed & appropriate revalues this designation at each financial year end.

All regular way purchases and sales of Financial Assets are recognised on the trade date i.e. the date the Company commits to purchase the Asset. Regular way purchases or sales are purchases/sales of Financial Assets that require delivery of Assets within the period generally established by regulation or convention in the Market place.

Investment at fair value through profit or loss
Financial Assets classified as held for trading are included in this category. Financial Assets are classified as held for trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognised in profit and loss account.

Held to Maturity Investments
Investment with fixed or determinable payments and fixed maturity are classified as held to maturity when the Company has the positive intention and ability to hold to maturity. Held to maturity investments are initially recognized at cost inclusive of transaction cost and are subsequently measured at amortized cost using effective interest rate method. Gains or Losses on investments held-to-maturity are recognized in profit and loss account when the investments are de-recognised or impaired, as well as through the amortization process.

Loans & Receivables
These are non derivative Financial Assets with Fixed or Determinable payments that are not Quoted in an Active market. Such assts are carries at amortised cost using the effective interest method. Gains & Losses are Recognised in Income when the Loans and Receivables are De-recognised or impaired, as well as through the amortization process.

Held for Sale Financial Assets
Financial Assets intended to be held for an indefinite period of time, which may by sold in response to need for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently re-measured at fair value. Gains and losses arising from re-measurement at fair value is recognised in the equity under fair value reserve until sold, collected, or otherwise disposed off at which time, the cumulative gain or loss previously recognised in equity is included in profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to Quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques.

The un-recognised gain on re-measurement of investments at fair value is not available for distribution. This will be transferred to Profit & Loss Account on de-recognition of Investments.

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

3.10 Stores, Spares and Loose Tools

These are valued at moving average Cost less allowance for obsolete and slow moving items. Stores-in-transit are valued at Cost accumulated to the Balance Sheet date.

3.11 Stock - in - Trade as valued as follows:

Particulars	**Mode of Valuation**
Raw Materials:	
At mills	At the Lower of Cost and Net Realizable Value
In-Transit	At Cost Accumulated to the Balance Sheet date.
Work-in-Process:	At Raw Material Cost and Conversion Cost appropriate to the Stage of Completion.
Finished Goods	At the Lower of Cost and Net Realisable Value
Waste	At Realisable Value.
Other Stocks	At Cost.

Cost in relation to Work-in-Process and Finished Goods represents the annual average Manufacturing Cost which consists of Prime Cost and appropriate Production Overheads.

Net Realisable Value signifies the Selling Price in the ordinary course of business less Cost necessary to be incurred to effect such Sale.

3.12 Revenue Recognition:

Sales are recorded on dispatch of goods to the Customers. Processing Charges are recorded when Goods are delivered to Customers and Invoices are raised. Return on Investments and Deposits are recorded on time proportion basis. Dividend Income is recognised when right to receive is established. Interest/Mark up is recognised as this becomes due.

3.13 Trade Debts, Advances to Suppliers and other Receivables

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

3.14 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current accounts, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in values.

3.15 Financial Instruments

Recognition and Measurements

Financial instruments are recognized at fair value when the Company becomes party to the contractual provisions of the instruments by the following trade date accounting. Any gain or loss on the subsequent measurement is charged to the profit and loss account. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise looses the control over contractual right that comprises the financial asset or a portion of financial asset. While a financial liability or a part of financial liability is derecognised from the balance sheet when, and only when, it is extinguished, i.e., when the obligation specified in contract is discharged, cancelled or expired.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item, if any.

Financial assets are long term investments, trade debts, deposits, loans and advances, other receivables, short term investments and cash and bank balances.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term financing, short term financing and trade and other payables.

Off-setting of Financial Assets and Financial Liabilities
A financial asset and financial liability is offset against each other and the net amount is reported in the Balance Sheet, if the Company has a legally enforceable right to set off the recognized amount and intends either to settle on net basis or realize the assets and settle the liability simultaneously.

3.16 Deferred Costs
Deferred costs already recognized are being amortized over a period of five years from the year of occurrence.

Change in Accounting Policy
Previously, the Company had practice to defer certain costs, the benefit of which is utilized over a certain period of time. These are now charged to profit and loss account as and when incurred. This change in policy is in order to be compliant with revised local regulations and making the Company's Financial Statements more comparable. This change has been accounted for as a change in accounting policy with retrospective effect in accordance with the treatment specified in International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Due to the said change in accounting policy, the Accumulated Profit as at 30th June, 2007 and Net Profit for the year ended 30th June, 2008 decreased and increased by Rs. 62,256,674 and Rs. 15,433,887, respectively.

Had there been no change in this accounting policy, the Net Profit for the current year and Non Current Assets/Equity would have been lower and higher by Rs. 13,920,442 and Rs. 32,902,345, respectively.

3.17 Trade and other Payables
Liabilities for Trade and Other Payables 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.

3.18 Provisions
A Provision is recognized in the Balance Sheet when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.19 Impairment
The carrying amounts of the Company's Assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the Asset's recoverable amount is estimated and Impairment Losses are recognized in the Profit and Loss Account.

3.20 Contingencies and Commitments
Unless these are actual liabilities these are not incorporated in the Accounts.

3.21 Related Party Transactions
These are made at arm's length prices determined in accordance with the comparable uncontrolled price method.

	2009 Rupees	2008 Rupees
4. ISSUED, SUBSCRIBED & PAID-UP CAPITAL		
4.1 This comprises of:		
Issued for Cash:		
17,037,542 (2008: 17,037,542) Ordinary Shares of Rs 10 each	170,375,420	170,375,420
Issued as Bonus Shares:		
1,762,200 (2008: 1,762,200) Ordinary Shares of Rs 10 each	17,622,000	17,622,000
	187,997,420	187,997,420

4.2 14,840 Shares (2008: 14,840 Shares) are held by the Subsidiary Company i.e. Naseem Enterprises (Private) Limited.

	Note	2009 Rupees	2008 Rupees
5. SURPLUS ON REVALUATION OF FIXED ASSETS			
5.1 This is made up as follows:			
Land - Freehold		558,579,566	558,579,566
Buildings - on freehold Land		187,128,966	197,168,357
Plant & Machinery		909,114,940	957,203,490
		1,654,823,472	1,712,951,413
Incremental Depreciation on Revaluation (Net of Deferred Tax) transferred to Retained Earnings	(Note 5.3)	(58,726,600)	(58,127,941)
		1,596,096,872	1,654,823,472

5.2 The Company has re-valued its entire class of certain assets as at 28th January, 2003. The Revaluation was carried-out by independent Valuers, M/S Hamid Mukhtar & Co., Lahore and has been duly certified by M. Yousaf Adil Saleem & Co., Chartered Accountants. Subsequently, on 30th June, 2007, again, the Company has carried out revaluation of aforesaid assets through M/S BFA (Private) Limited, Multan.

5.3 The incremental depreciation charged on re-valued assets during the period has been transferred to retained earnings (un-appropriated profit) to record realisation of Surplus to the extent of incremental depreciation to comply with the amendment in Section 235 of the Companies Ordinance, 1984 and further notification of SECP to clarify the treatment of Surplus arising on revaluation of Fixed Assets.

		2009 Rupees	2008 Rupees
6. LONG TERM FINANCES			
6.1 These Comprise of			
Secured:			
From Banking Companies	(Note 6.2)	1,327,346,790	1,228,506,377
From Suppliers	(Note 6.9)	98,907,275	-
		1,426,254,065	1,228,506,377
Unsecured: From Directors	(Note 6.10)	217,306,436	144,559,331
		1,643,560,501	1,373,065,708

	Note	2009 Rupees	2008 Rupees
6.2 LOANS FROM BANKING COMPANIES			
represent Term Finances and have been obtained from:			
Askari Bank Limited	(Note 6.3)	443,403,123	387,108,918
Soneri Bank Limited	(Note 6.4)	40,000,000	30,000,000
Pak Oman Investment Company Limited	(Note 6.5)	64,000,000	56,000,000
Allied Bank Limited	(Note 6.6)	330,912,448	332,968,110
Bank Islami Pakistan Limited	(Note 6.7)	207,750,000	187,500,000
Faysal Bank Limited	(Note 6.8)	241,281,219	234,929,349
		1,327,346,790	1,228,506,377

	Note	2009 Rupees	2008 Rupees
6.3 TERM FINANCE FROM ASKARI BANK LIMITED is made up as follows:			
Balance as at 1st July, 2008		387,108,918	435,924,259
Add:			
Transferred from Current Portion	(Note 11)	13,945,128	-
Received during the year		150,000,000	35,688,642
		163,945,128	35,688,642
		551,054,046	471,612,901
Less:			
Payments during the Year		-	20,144,472
Current Portion Shown under Current Liabilities	(Note 11)	107,650,923	64,359,511
		107,650,923	84,503,983
		443,403,123	387,108,918

These have been obtained for the import of Plant and Machinery for BMR/Expansion of Spinning Section. These are repayable in 4 to 14 equal half yearly instalments commencing from 25th August, 2009.

These Finances are secured by way of:

(i) First pari passu charge (with Bank Al-Habib Ltd. & Pak Oman Investment Company Ltd.) to the extent of Rs. 350.000 Million (2008: 350.000 Million) on all present and future current and fixed assets of the Spinning Section.

(ii) First pari passu charge (with Bank Islami, Bank Al-Habib Ltd., Soneri Bank Ltd., & Pak Oman Investment Company Ltd.) to the extent of Rs. 575.000 Million (2008: 575.000 Million) on all present and future fixed assets of the Spinning Section,

(iii) First pari passu charge (with Soneri Bank Ltd., & Pak Oman Investment Company Ltd.) to the extent of Rs. 550.000 Million on all present and future fixed assets of the Spinning Section.

(iv) Personal Guarantees of the Sponsoring Directors of the Company.

These carry mark-up rates ranging from 3 to 6 month KIBOR + 1.25% with floor 4.25% (2008: 3 to 6 month KIBOR + 1.25% with floor 4.25%) per annum for TF and SBP rate 5.00% + 2.00% (2008: SBP rate + 2.00%) per annum for LTF-EOP, payable quarterly.

	2009 Rupees	2008 Rupees
6.4 TERM FINANCE FROM SONERI BANK LIMITED		
is made up as follows:		
Balance as at 1st July, 2008	30,000,000	50,000,000
Add: Received during the year	30,000,000	-
	60,000,000	50,000,000
Less: Current Portion Shown under Current Liabilities	20,000,000	20,000,000
	40,000,000	30,000,000

This has been obtained for the import of Plant & Machinery under Letters of Credit. This Loan is secured against pari passu charge over fixed assets of the Company to the extent of Rs. 158.000 Million and is repayable in 14 equal half yearly instalments commencing from 15th January, 2006. This carries Mark-up @ 6 months KIBOR + upto 2.5 % (2008: 6 months KIBOR + 2.50%) per annum payable semi annually.

6.5 TERM FINANCE FROM PAK OMAN INVESTMENT COMPANY LIMITED		
is made up as follows:		
Balance as at 1st July, 2008	56,000,000	89,800,000
Add: Transferred from Current Portion	8,000,000	-
	64,000,000	89,800,000
Less: Current Portion Shown under Current Liabilities	-	33,800,000
	64,000,000	56,000,000

This has been obtained for the purchase of Plant & Machinery. This is secured against pari passu charge over fixed assets of the Company by way of equitable mortgage on Land & Buildings and hypothecation charge on Plant & Machinery of spinning section and personal guarantees of working directors of the Company. The principal amount is repayable in 16 equal quarterly instalments commencing from 7th March, 2011. The Mark-up ranges from 6 months KIBOR + 2.25% to 6 months KIBOR + 3.00% (2008: 6 months KIBOR + 2.25% to 6 months KIBOR + 3.00%) per annum, payable semi annually.

6.6 TERM FINANCE FROM ALLIED BANK LIMITED			
is made up as follows:			
Balance as at 1st July, 2008		332,968,110	487,586,774
Add: Transferred from Current Portion	(Note 11)	34,207,338	-
		367,175,448	487,586,774
Less: Current Portion Shown under Current Liabilities		36,263,000	154,618,664
		330,912,448	332,968,110

This has been obtained for import of Plant and Machinery and Material. This finance is secured against a lien on the import documents, first exclusive charge over fixed assets of the Weaving Unit of Company for Rs. 570 Million and personal guarantees of the working directors. The principal amount is repayable in 22 equal quarterly instalments commencing from 2nd July, 2009. This carries Mark-up ranging from 6 months KIBOR + 1.25% to 6 months KIBOR + 2.25% (2008: 6 months KIBOR + 2.25%) per annum for DF and SBP rate + 2.00% (2008: SBP rate + 2.00%) per annum for LTF-EOP, payable quarterly.

	Note	2009 Rupees	2008 Rupees
6.7 TERM FINANCE FROM BANK ISLAMI is made up as follows:			
Balance as at 1st July, 2008		187,500,000	250,000,000
Add: Transferred from Current Portion	(Note 11)	31,250,000	-
		218,750,000	250,000,000
Less:			
Current Portion Shown under Current Liabilities		10,500,000	62,500,000
Payments made during the year		500,000	-
		11,000,000	62,500,000
		207,750,000	187,500,000

This has been obtained to refinance the existing Machinery with Diminishing Musharika facility previously financed through conventional loan. This is secured against specific charge over Musharika assets of the Company with 25% margin and personal guarantees of the working directors. The principal amount is repayable in 52 monthly instalments commencing from 1st July, 2009. This carries Mark-up @ 1 months KIBOR + 2.25% (2008: 3 months KIBOR + 2.25%) per annum, payable quarterly.

	Note	2009 Rupees	2008 Rupees
6.8 TERM FINANCE FROM FAYSAL BANK is made up as follows:			
Balance as at 1st July, 2008		234,929,349	-
Add:			
Transferred from Current Portion	(Note 11)	6,351,870	-
Received during the year		-	313,239,131
		6,351,870	313,239,131
		241,281,219	313,239,131
Less: Current Portion shown under current liabilities		-	78,309,782
		241,281,219	234,929,349

This has been obtained to finance acquisition of spinning section. This is secured by way of 1st pari passu charge over present and future fixed assets amounting to Rs. 450.000 Million of M/S Naseem Enterprises (Private) Limited, a subsidiary entity of the Company and personal guarantees of the working directors of the Company. This is repayable in 8 equal half yearly instalments commencing from 22nd May, 2010. This carries Mark-up @ 6 months KIBOR + 2.0% (2008: 6 months KIBOR + 2.25%) per annum payable quarterly.

	2009 Rupees	2008 Rupees
6.9 SUPPLIER'S CREDIT is made up as follows:		
Balancer as at 1st July, 2008	-	3,490,955
Add:		
Current Year Purchase	98,907,275	-
Adverse Exchange Rate Fluctuation	-	663,440
	98,907,275	663,440
	98,907,275	4,154,395
Less: Payments during the year	-	4,154,395
	98,907,275	-

This represent Credit amounting to JPY 112.689 Million (2008: Nil) from Marubeni Tekmatex Corporation- Japan, availed through a 720 days usance Letters of Credit opened by Soneri Bank Limited, Mall Plaza, Multan, effective from 9th September, 2008, for the import of Plant and Machinery for BMR/Expansion of Weaving Section. This includes discount charges amounting to JPY 5.165 Million @ 1 Year LIBOR per annum subject to minimum of 2.5% per annum.

	Note	2009 Rupees	2008 Rupees
6.10 LOAN FROM DIRECTORS			
is unsecured, Interest Free and is repayable at the option of the Company. This includes an amount of 200.000 Million which has been subordinated to the Banks against Long Term Financing and is made up as follows:			
Balance as at 1st July, 2008		144,559,331	68,965,173
Add: Received during the year		147,468,120	75,594,158
		292,027,451	144,559,331
Less: Payments made during the year		74,721,015	-
		217,306,436	144,559,331
7. DEFERRED LIABILITIES			
7.1 These comprise of			
Deferred Taxation	(Note 7.2)	222,218,218	221,712,082
Staff Retirement Benefits	(Note 7 3)	25,342,096	19,724,947
		247,560,314	241,437,029
7.2 DEFERRED TAXATION is in respect of the following temporary differences:			
Taxable Temporary Differences			
Accelerated Depreciation		324,515,428	351,710,933
Export Debtors		682,164	843,504
Deductible Temporary Differences			
Staff Gratuity		(3,521,572)	(7,126,845)
Unused Tax Losses		(99,457,802)	(123,715,510)
		222,218,218	221,712,082
7.3 STAFF RETIREMENT BENEFITS represent Gratuity and is made up as follows:			
Balance as at 1st July, 2008		19,724,947	13,406,399
Expense for the Year	(Note 7.4)	18,492,569	13,393,503
Payments made during the Year		(12,875,420)	(7,074,955)
Present Value of Defined Benefit Obligation		25,342,096	19,724,947
7.4 EXPENSE FOR THE YEAR comprises of:			
Current Service Cost		16,013,271	10,055,674
Interest Cost		2,479,298	1,794,024
Actuarial Losses Recognised		-	1,543,805
		18,492,569	13,393,503
7.5 AMOUNTS RECOGNISED IN THE BALANCE SHEET comprise of:			
Present value of Defined Benefit Obligation		25,342,096	20,660,814
Unrecognised Actuarial Losses		-	(935,867)
		25,342,096	19,724,947
7.6 PRINCIPAL ACTUARIAL ASSUMPTIONS			
Discount Rate		12%	12%
Expected Rate of Salary Increase		11%	11%
Average Expected Remaining Working Life of Employees		4 Years	4 Years

Expected Gratuity Expense for the Year ending 30th June, 2009 has been worked out at Rs. 18,801,880.

		Present Value of Defined Benefit Obligation	Actuarial Adjustment on Plant Liabilities
7.7 COMPARISON FOR FIVE YEARS			
30th June, 2009		25,342,096	-
30th June, 2008		19,724,947	19,724,947
30th June, 2007		13,406,399	13,406,399
30th June, 2006		5,371,138	5,371,138
30th June, 2005		4,146,993	4,146,993
30th June, 2004		-	8,329,924
8. TRADE & OTHER PAYABLES comprise of:			
8.1 These comprise of:			
Creditors		218,259,325	36,585,393
Accrued Liabilities		62,771,653	62,522,222
Advance from Customers		7,970,274	4,916,632
Income Tax Withheld		5,336,443	551,782
Unclaimed Dividend		107,090	98,844
Other Liabilities		2,968,973	1,984,751
Workers' (Profit) Participation Fund	(Note 8.2)	2,679,633	3,533,949
		300,093,391	110,193,573

		2009 Rupees	2008 Rupees
8.2 WORKERS' (PROFIT) PARTICIPATION FUND is made up as follows:			
Balance as at 1st July, 2008		3,533,949	1,824,233
Less: Payments during the year		3,411,690	1,824,233
Unclaimed Balance		122,259	-
Add: Allocation for the Year		2,557,374	3,533,949
		2,679,633	3,533,949
9. ACCRUED INTEREST & MARK-UP relates to:			
Long Term Finance		35,109,969	25,158,994
Short Term Borrowings		79,902,433	63,337,698
Workers' (Profit) Participation Fund		318,120	228,030
		115,330,522	88,724,722
10. SHORT TERM BORROWING			
10.1 These have been obtained from Commercial Banks and comprise of:			
Secured:			
Cash/Running Finances	(Note 10.2)	1,968,829,946	1,358,048,913
Pre-shipment Advance	(Note 10.2)	584,960,273	1,127,167,144
Foreign Loan against Trust Receipt	(Note 10.3)	39,551,261	-
		2,593,341,480	2,485,216,057
Unsecured - Bank Overdraft		-	18,717,561
		2,593,341,480	2,503,933,618

10.2 These have been obtained from various Commercial Banks against credit facilities with sanctioned limits aggregating Rs. 3,526.300 Million (2008: Rs. 3,206.000 Million), The aggregate facilities are secured by a joint pari passu hypothecation charge on all present and future current assets of the Company including Stock in Trade, Trade Debts, Lien on Export Bills and Personal Guarantees of the Working Directors of the Company. The expiry dates of the facilities range from 30th September, 2009 to 31st May, 2010. These facilities carry Mark up rates ranging from 1 to 6 month KIBOR + 0.50% to 2.50% (2008: 1 to 6 month KIBOR + 0.50% to 1.50%) per annum.

10.3 This has been obtained in Foreign Currency against Sight Letter of Credit and amounts to USD 487,991.36 (2008: Nil). The facility has been obtained from Soneri Bank Limited for import of raw material against sanction limit of USD 2 Million (2008: USD 274,250). As the LC documents have been retired, this sight Letter of Credit has been converted into FLATR. This carried Mark up @ upto 14% per annum (2008: Nil). This is secured against documents of title of goods/duly accepted drafts.

	Note	2009 Rupees	2008 Rupees
11. CURRENT PORTION OF LONG TERM LIABILITIES			
is made up as follows:			
Balance as at 1st July, 2008		438,922,560	244,337,533
Less Transferred to Long Term Portion		93,754,336	-
		345,168,224	244,337,533
Add: Transferred from Long - Term Portion		174,413,923	413,587,957
		519,582,147	657,925,490
Less: Payments made during the Year		299,323,378	219,002,930
		220,258,769	438,922,560

12. CONTINGENCIES & COMMITMENTS

12.1 Contingencies

The Company has filed constitutional petition in the Honourable Sind High Court against the imposition of sea dues @ 0.50% by the Excise & Taxation Officer Karachi against imported goods amounting to Rs. 55.000 Million (2008: Rs. 34.000 Million). In favour of Director Excise and Taxation Karachi, bank guarantees have been issued by Askari Bank Limited, Multan upto Rs. 5 Million and by Soneri Bank Limited, Multan upto Rs. 50 Million.

Guarantee issued by Soneri Bank Limited, Multan amounts to Rs. 7.740 Million (2008: Rs. 7.986 Million) on behalf of the Company to Sui Northern Gas Pipelines Limited, 27-Kashmir Road Lahore as security against payment of dues of Gas sales.

Soneri Bank Limited, Multan has issued guarantees amounts to Rs. 2.5 Million (2008: Rs. Nil) on behalf of the Company to Utility Stores Corporation of Pakistan as security for operating two utility stores within the Company premises.

Performance guarantees amounting to Rs 203,000 (2008: Rs. Nil) have been issued by Soneri Bank Limited, Multan in favour of State Bank of Pakistan -Multan as an security for export of cotton.

12.2 Commitments

Letters of Credit against Capital Expenditure amounting to Rs. 65.896 (2008: Rs. 138.345) Million.

Letters of Credit against other than Capital Expenditure amounting to Rs. 836.373 Million (2008: Rs.1,026.429 Million)

13. PROPERTY, PLANT & EQUIPMENT

13.1 These comprise of:

	Note	2009 Rupees	2008 Rupees
Operating Property Plant & Equipment	(Note 13.2)	3,794,569,153	3,797,735,853
Capital Work in Progress	(Note 13.5)	12,122,788	60,645
		3,806,691,941	3,797,796,498

13.2 OPERATING PROPERTY, PLANT & EQUIPMENT are made up as follows:

Particulars	COST/REVALUATION				DEPRECIATION					W.D.V.
	As at 1st July, 2008	Additions	Deletions	As at 30th June, 2009	Rate %	To 30th June, 2008	On Deletions	Provided for the Year	To 30th June 2009	As at 30th June, 2009
	Rupees					Rupees				
LAND - Freehold										
Cost	30,770,434	980,982	-	31,751,416	-	-	-	-	-	31,751,416
Revaluation Surplus	558,579,566	-	-	558,579,566	-	-	-	-	-	558,579,566
	589,350,000	980,982	-	590,330,982	-	-	-	-	-	590,330,982
BUILDINGS - on Freehold Land										
Cost - Factory	273,943,635	275,690	-	274,219,325	5	73,027,333	-	10,047,499	83,074,832	191,144,493
Cost - Non Factory	135,606,686	143,261	-	135,749,947	5	39,367,542	-	4,817,775	44,185,317	91,564,630
Revaluation Surplus	263,814,182	-	-	263,814,182	5	38,819,594	-	11,249,731	50,069,325	213,744,857
	673,364,503	418,951	-	673,783,454		151,214,469	-	26,115,005	177,329,474	496,453,980
PLANT & MACHINERY										
Cost	1,948,946,539	154,191,963	-	2,103,138,502	5	598,168,034	-	72,738,020	670,906,054	1,432,232,448
Revaluation Surplus	1,218,895,588	-	-	1,218,895,588	5	141,174,351	-	53,886,061	195,060,412	1,023,835,176
	3,167,842,127	154,191,963	-	3,322,034,090		739,342,385	-	126,624,081	865,966,466	2,456,067,624
POWER HOUSE	95,115,925	-	-	95,115,925	5	12,135,207	-	4,149,036	16,284,243	78,831,682
WEIGHING BRIDGE & SCALE	2,302,374	-	-	2,302,374	10	1,008,492	-	129,388	1,137,880	1,164,494
LABORATORY EQUIPMENT	53,337,091	18,000	-	53,355,091	10	19,875,660	-	3,347,793	23,223,453	30,131,638
ELECTRIC INSTALLATION	119,356,755	3,704,709	-	123,061,464	5	28,667,764	-	4,615,769	33,283,533	89,777,931
TARPULINE	739,107	-	-	739,107	10	311,093	-	42,801	353,894	385,213
TUBE WELL	4,027,495	-	-	4,027,495	10	1,591,615	-	243,588	1,835,203	2,192,292
FURNITURE & FIXTURE	18,399,718	1,138,715	135,980	19,402,453	10	6,786,963	57,953	1,223,180	7,952,190	11,450,263
OFFICE EQUIPMENT	12,029,519	966,886	-	12,996,405	10	3,886,773	-	867,591	4,754,364	8,242,041
VEHICLES	37,904,025	7,053,114	3,106,668	41,850,471	20	21,614,768	2,258,022	3,540,777	22,897,523	18,952,948
FIRE FIGHTING EQUIPMENT	4,081,496	-	-	4,081,496	10	1,485,582	-	259,591	1,745,173	2,336,323
TELEPHONE	5,201,886	1,285,475	93,000	6,394,361	10	1,737,860	21,665	418,580	2,134,776	4,259,586
ARMS & AMMUNITION	6,130	-	-	6,130	10	5,194	-	94	5,288	842
TOOLS & EQUIPMENTS	5,116,511	90,100	-	5,206,611	10	774,984	-	440,313	1,215,297	3,991,314
30th June, 2009 (Rupees):	4,788,174,662	169,848,895	3,335,648	4,954,687,909		990,438,809	2,337,640	172,017,587	1,160,118,756	3,794,569,153
30th June, 2008 (Rupees):	4,754,838,422	36,409,138	3,072,898	4,788,174,662		816,651,597	2,253,759	176,040,971	990,438,809	3,797,735,853

13.3 DEPRECIATION ALLOWANCE provided for the Year has been allocated as follows:

		2009 Rupees	2008 Rupees
Cost of Goods Manufactured	(Note 28.2)	165,203,542	168,550,495
Administrative Expenses	(Note 30)	6,814,045	7,490,476
		172,017,587	176,040,971

13.4 DISPOSAL OF OPERATING PROPERTY, PLANT & EQUIPMENT are made up as follows:

PARTICULARS	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
Honda Civic 1300 CC	573,000	511,474	61,526	Insurance Claim	EFU Insurance Co. Ground Floor, Rajpoot Plaza, Tareen Road, Multan.
Honda Civic SX, MNU-87	695,532	598,290	97,242	Negotiation	Mrs. Irshad Bibi
Honda Civic 1590CC-MLD-81	1,266,615	726,193	540,422	Negotiation	Mushtaq Ahmad Mahir
Suzuki Alto 800CC - MNO-2345	121,000	94,567	26,433	Negotiation	Zeshan Azhar
Disposal of 3 Split A.C's 1.5 Ton	135,980	57,953	78,027	Insurance Claim	EFU Insurance Co. Ground Floor, Rajpoot Plaza, Tareen Road, Multan
Disposal of Toyota Corolla MLB_7	450,521	327,499	78,027	Negotiation	Farooq Enterprises
Telephone Sets	93,000	21,665	78,027	Insurance Claim	EFU Insurance Co. Ground Floor, Rajpoot Plaza, Tareen Road, Multan
30th June, 2009 (Rupees):	3,335,648	2,337,640	959,705		
30th June, 2008 (Rupees):	3,072,898	2,253,759	819,139		

	Note	2009 Rupees	2008 Rupees
13.5 CAPITAL WORK IN PROGRESS comprises of			
Factory Buildings		604,721	60,645
Power House		2,490,797	-
Intangible Asset - Software		9,027,270	-
		12,122,788	60,645

14. LONG TERM INVESTMENTS

	Note	2009 Rupees	2008 Rupees
14.1 These comprise of:			
Investment in Related Party			
(Subsidiary Company)	(Note 14.2)	183,018,000	183,018,000
Other Investments	(Note 14.3)	7,420,394	14,655,524
		190,438,394	197,673,524

14.2 This represents Held for Sale Investment and comprise of 1,830,180 (2008: 1,830,180) Shares of Rs. 100 each in Naseem Enterprises (Private) Limited and 28,566 (2008: 28,566) Bonus Shares, representing 99.70% (2008: 99.70%) of its equity interest. Value per Share based on net assets shown in Audited Financial Statements for the Year ended 30th June, 2008 is Rs. 105.02 (2007: Rs. 112.02).

	Note	2009 Rupees	2008 Rupees
14.3 OTHER INVESTMENTS comprise of:			
Investment Held for Sale	(Note 14.4)	7,160,602	14,395,628
Investment Held to Maturity	(Note 14.5)	259,792	259,896
		7,420,394	14,655,524

	2009 Rupees	2008 Rupees
14.4 INVESTMENT HELD FOR SALE represent shares of Quoted Companies Held for Sale which are intended not to be sold within next twelve months and comprises of:		
Kakakhel Pakistan Limited		
150 (2008: 150) fully paid Ordinary shares of Rs. 10 each (Quoted price on 27th May, 2009 Rs. 22.50 per Share (30th June, 2008: Rs. 32.10 per Share)	4,621	4,621
Fatima Enterprises Limited		
414,940 (2008: 414,940) fully paid Ordinary shares of Rs. 10 each (Quoted price on 30th June, 2009 Rs. 17.05 per Share (30th June, 2008: Rs. 18.00 per Share)	6,536,572	6,536,572
Mubarak Textile Mills Limited		
66,000 (2008: 66,000) fully paid Ordinary shares of Rs. 10 each (Quoted price on 30th June, 2009 Rs. 1.25 per Share (30th June, 2008: Rs. 3.00 per Share)	182,700	182,700
	6,723,893	6,723,893
Fair Value Adjustment	436,709	7,671,735
Fair Value as at 30th June, 2009	7,160,602	14,395,628

14.5 INVESTMENT HELD TO MATURITY
Term Finance Certificates issued by Bank Al-Habib Limited on 7th March, 2007 having Redeemable Value amounting to Rs. 7,736.75 per certificate with maturity date of 7th February, 2015 carrying Mark-up @ 6 month KIBOR + 1.95% (2008: 6 month KIBOR + 1.95%) per annum.

15. LONG TERM LOAN & ADVANCES
This represents the unsecured amount advanced by the Company to Sui Northern Gas Pipelines Limited, to meet the cost of Gas Pipeline to be laid for supply of gas to the weaving unit of the Company at Qadir

Pur Rawan, Khanewal Road, Multan. This is recoverable in 12 years including two years grace period, in 10 equal annual instalments. This is subject to a Return @ 1.5% per annum, receivable annually.

	Note	2009 Rupees	2008 Rupees
16. LONG TERM DEPOSITS, PREPAYMENTS represent the Security Deposits.			
17. STORES, SPARES & LOOSE TOOLS comprise of:			
Stores		26,497,535	40,174,553
Spares		34,641,172	27,772,354
Loose Tools		461,386	31,722
		61,600,093	67,978,629
18. STOCK IN TRADE comprises of:			
Raw material		1,685,686,515	1,586,928,690
Work in Process		54,342,829	45,037,357
Finished Goods		269,312,807	180,882,882
		2,009,342,151	1,812,848,929
19. TRADE DEBTORS			
19.1 These are in respect of:			
Export - Secured	(Note 19.2)	171,815,655	193,961,207
Local - Unsecured Considered Good		161,547,926	161,880,744
		333,363,581	355,841,951

19.2 Secured Debtors represent Foreign Bills under collection against Letters of Credit which are secured against Bank Guarantees.

	Note	2009 Rupees	2008 Rupees
20. LOANS & ADVANCES			
20.1 These comprise of:			
Advances (unsecured considered goods) to:			
Employees against Salaries		5,050,991	4,067,615
Suppliers of Goods & Services		26,246,869	36,457,722
Due from Related Party - Subsidiary Company	(Note 20.2)	397,147,270	313,239,131
Immature Letters of Credit	(Note 20.3)	308,749,462	40,874,782
Guarantee Margin		915,965	399,335
		738,110,557	395,038,585

20.2 This represents balance due from Naseem Enterprises (Private) Limited. The maximum aggregate balance due at the end of any month is Rs. 397.147 Million (2008: 313.239 Million).

20.3 These comprise of Opening Charges, Bank Charges & Payments of Documents Cost.

	Note	2009 Rupees	2008 Rupees
21. TRADE DEPOSITS & SHORT TERM PRE-PAYMENTS			
21.1 These comprise of:			
Security Deposits		444,324	1,003,219
Advance Income Tax - Net		18,894,367	6,497,321
Other Deposits		103,378	135,378
Short Term Pre-Payments	(Note 21.2)	266,363	40,266,608
		19,708,432	47,902,526

21.2 This includes Lease Money amounting to Rs. 37.850 Million (2008: Rs. 19.154 Million) paid to the related party (subsidiary Company) M/S Naseem Enterprises (Private) Limited.

	Note	2009 Rupees	2008 Rupees
22. ACCRUED INTEREST comprise of:			
Profit on Term Deposit Receipts		-	3,297,385
Recoverable from Sui Gas	(Note 15)	892,752	548,677
		892,752	3,846,062
23. OTHER RECEIVABLES comprise of:			
Sales Tax		28,848,649	29,430,479
Insurance & Cotton Claims		30,093,106	43,168,256
Other		2,066,185	1,912,170
		61,007,940	74,510,905
24. SHORT TERM INVESTMENTS comprise of:			
Held for Sale			
Bank Islami Pakistan Limited			
30,000 (2008: 31,875) fully paid Ordinary Shares of Rs. 10 each (Quoted price on 30th June, 2009 Rs. 6.37 per Share (2008: Rs. 14.81 per Share)		472,069	415,817
Fair Value Adjustment		(269,025)	56,252
		203,044	472,069
Held for Trading			
Soneri Bank Limited			
30,000 (2008: 30,000) fully paid Ordinary shares of Rs. 10 each (Quoted price on 30th June, 2009 Rs. 10.96 per Share)		745,200	969,831
NIB Bank Limited			
10,000 (2008: 10,000) fully paid Ordinary shares of Rs. 10 each (Quoted price on 30th June, 2009 Rs. 4.75 per Share)		113,700	229,075
Allied Bank Limited			
Nil (2008: 10,000) fully paid Ordinary shares of Rs. 10 each (Quoted price on 30th June, 2008 Rs. 85.27 per Share)		-	1,421,373
United Bank Limited			
Nil (2008: 10,000) fully paid Ordinary shares of Rs. 10 each (Quoted price on 30th June, 2008 Rs. 85.09 per Share)		-	2,083,536
Oil & Gas Development Company			
10,000 (2008: Nil) fully paid Ordinary shares of Rs. 10 each (Quoted price on 30th June, 2009 Rs. 78.64 per Share)		1,091,161	
Pakistan Petroleum Limited			
165,000 (2008: 50,000) fully paid Ordinary shares of Rs. 10 each (Quoted price on 30th June, 2009 Rs. 190.00 (2008 Rs. 245.99) per Share)		33,569,581	13,613,103
Fair Value Adjustment		(3,082,842)	(3,454,918)
		32,436,800	14,862,000
Fair Value as at 30th June, 2009		32,639,844	15,334,069

25. TAX REFUNDS DUE FROM GOVERNMENT DEPARTMENTS represents to Income Tax.

	Note	2009 Rupees	2008 Rupees
26. CASH & BANK BALANCES			
26.1 These comprise of:			
Cash in Hand		1,973,329	1,620,609
Cash with Banks in:			
Current Accounts		53,020,136	15,914,306
Saving Accounts	(Note 26.2)	19.693	36,238
Deposit Accounts	(Note 26.3)	16,776	170,000,000
		53,056,605	185,950,544
		55,029,934	187,571,153

26.2 The rate of Interest/Mark-up on Saving Accounts is @ 6% (2008: 3.50% to 4.50%) per annum.

26.3 These represent Term Deposit Receipt (TDRs) and is subject to a Return ranging from 7.50% to 10.50% (2008: 7.50% to 10.50%) per annum.

	Note	2009 Rupees	2008 Rupees
27. SALES are made up as follows:			
Local Sales:			
Yarn		1,822,371,139	1,714,645,126
Fabric		555,083,829	518,773,740
Waste		105,496,788	85,799,446
	Net Local Sales	2,482,951,756	2,319,218,312
Export Sales:			
Yarn		2,767,982,007	2,426,441,509
Fabric		990,000,793	632,464,750
Waste		8,623,222	12,430,267
		3,766,606,022	3,071,336,526
Exchange Rate Gain		3,396,473	1,382,101
Export Rebate		822,240	287,102
	Net export Sales	3,770,824,735	3,073,005,729
		6,253,776,491	5,392,224,041
28. COST OF SALES			
28.1 This is made up as follows:			
Finished Goods as at 1st July, 2008	(Note 28.2)	180,882,882	152,062,632
Add:			
Cost of Goods Manufactured	(Note 28.2)	5,433,521,033	5,092,335,716
Cost of Yarn Transferred to Weaving Section	(Note 28.3)	(249,920,381)	(452,839,648)
Cost of Goods Purchased		151,705,899	107,584,364
		5,335,306,551	4,747,080,432
		5,516,189,433	4,899,143,064
Finished Goods as at 30th June, 2009		269,312,807	180,882,882
		5,246,876,626	4,718,260,182

	Note	2009 Rupees	2008 Rupees
28.2 <u>COST OF GOODS MANUFACTURED</u> is made up as follows			
Work in process as at1st July, 2008	(Note 28.3)	45,037,357	31,566,085
Raw Material Consumed	(Note 28.3)	4,139,140,882	3,906,292,193
Packing Material Consumed		106,371,672	91,593,140
Stores Consumed		170,652,247	163,711,426
Salaries, Wages & Benefits		312,724,626	288,538,566
Power & Fuel		450,090,073	391,647,288
Insurance		9,410,507	9,920,057
Repair & Maintenance		5,643,550	4,203,302
Processing Charges		2,045,798	466,087
Factory Lease Payment		78,000,000	78,000,000
Other Manufacturing Expenses		3,543,608	2,884,434
Depreciation	(Note 13.3)	165,203,542	168,550,495
		5,487,863,862	5,137,373,073
Less: Work in Process as at 30th June, 2009		54,342,829	45,037,357
		5,433,521,033	5,092,335,716
28.3 RAW MATERIAL CONSUMED is made up as follows			
Balance as at 1st July, 2008	(Note 28.4)	1,586,928,690	597,275,936
Add: Purchases including Expenses		4,237,898,708	4,895,944,947
Available for Consumption		5,824,827,398	5,493,220,883
Balance as at 30th June, 2009		1,685,686,515	1,586,928,690
		4,139,140,882	3,906,292,193
29. <u>DISTRIBUTION COST</u> comprises of			
Freight & Octroi:			
Local		29,742,618	8,270,885
Export		62,776,631	72,847,203
Clearing & Forwarding Expenses		2,450,587	4,123,036
Commission on sales		57,013,813	47,202,915
Insurance expenses		487,892	265,937
Local L/C expenses		1,415,268	4,644,639
Export Development Surcharge		9,804,930	7,571,864
Quality Claim		6,336,321	444,279
Export Expenses		11,977,199	3,729,006
Others		3,115,995	3,907,001
		185,121,253	153,006,765

	Note	2009 Rupees	2008 Rupees
30. ADMINISTRATIVE EXPENSES			
30.1 These comprise of			
Directors' Remuneration		1,740,000	1,740,000
Staff Salaries & Benefits		60,165,045	53,487,676
Printing & Stationery		1,104,077	1,190,436
Communication		3,854,285	3,522,839
Sui Gas & Water Charges		967,611	295,471
Electricity		615,889	874,298
Insurance		2,507,928	2,088,912
Travelling & Conveyance		5,667,272	12,698,903
Entertainment		924,967	1,629,125
Rent, Rates & Taxes		575,814	251,246
Vehicle Running & Maintenance		5,112,187	4,693,004
Repair & Maintenance		2,405,649	1,456,227
Fees & Subscriptions		970,807	1,533,713
Legal & Professional Charges		951,009	171,860
Auditors' Remuneration	(Note 30.2)	465,000	450,000
Advertisement & Publicity		21,600	269,720
ISO Expenses		938,208	145,289
Charity & Donations		1,600,215	1,766,917
Newspapers & Periodicals		51,931	46,897
Amortization of Intangible Asset		-	680,000
Depreciation	(Note 13.3)	6,814,045	7,490,476
General Expenses		1,782,426	1,495,972
		99,235,966	97,978,981

30.2 AUDITORS' REMUNERATION relates to:			
Company's Statutory audit		450,000	450,000
Workers' (Profit) Participation Fund		15,000	-
		465,000	450,000

31. OTHER OPERATING INCOME			
31.1 This comprises of			
Fine Penalties & Claims	(Note 31.2)	55,786	38,912,268
Profit on Disposal of Fixed Assets		480,703	398,861
Sale of Salvage		2,385,300	1,026,787
Balances Written (Off)/Bank		545,960	(215,384)
Doubling Income		-	162,944
Dividend Income		3,397,872	76,961
(Loss)/Gain on Sale of Investment Held for Trading		(5,422,296)	814,732
Loss on Re-measurement of Investment Held for Trading	(Note 24)	(3,082,842)	(3,454,918)
Reversal of Provision for diminution in value of Long Term Investments		-	523,258
Interest Income		1,384,176	9,176,409
Profit on Bank Deposits		1,127,637	-
		872,296	47,421,918

31.2 This represents penalties on breach of Contract and quality claims against purchase of Cotton from the foreign Suppliers.

32. OTHER OPERATING EXPENSES represent Workers' (Profit) Participation Fund

		2009 Rupees	2008 Rupees
33. FINANCE COST is made up as follows:			
Interest / Mark-up on:			
Short Term Finances		322,364,003	169,146,717
Long Term Finance		127,753,678	131,269,578
Worker's (Profit) Participation Fund		318,120	228,030
Exchange Loss on Foreign Currency Finance		161,008,992	38,209,964
Bank Charges & Commission		60,822,670	45,432,873
		672,267,463	384,287,162
34. TAXATION			
34.1 This relates to:			
Current Year			
Current Taxation	(Note 34.2)	37,887,516	31,418,355
Deferred Taxation		506,136	15,841,789
		38,393,652	47,260,144
Previous Year - Current Taxation		(491,419)	306,400
		37,902,233	47,566,544

34.2 In view of available Tax Losses the provision for Current Taxation represents the tax due on export proceeds, under sub-section 4 of section 154 of Income Tax Ordinance, 2001.

34.3 Income Tax Assessment up to Assessment Year 2002-2003 has been finalized. Income Tax Returns for Tax Year 2003 to Tax Year 2007 were filed under self assessment scheme in accordance with the provisions of Income Tax Ordinance, 2001, hence deemed to be assessed as declared.

34.4 Numerical reconciliation between the effective tax and the applicable tax is not given as, in presence of available tax losses the Company is liable to the presumptive tax only.

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The aggregate amount charged in the account for the year for remuneration, including certain benefits, to the Chief Executive, Director and executives of the Company is as follow:

	2009 Rupees			2008 Rupees		
PARTICULARS	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Managerial Remuneration	-	828,000	10,591,900	360,000	828,000	13,956,500
House Rent	-	372,000	624,917	156,000	372,000	856,000
Utility Allowance	-	-	-	24,000	-	-
Medical Allowances	-	-	1,130,445	-	-	1,352,287
Cost of Living Allowance	-	-	-	-	-	191,350
	-	1,200,000	12,347,262	540,000	1,200,000	16,356,137
NUMBER OF PERSONS	1	1	27	1	1	18

	Note	2009 Rupees	2008 Rupees
36. CASH GENERATED FROM OPERATIONS is made up as follows			
Profit before Taxation		48,590,105	82,578,920
Adjustment of Non Cash & Other Items:			
Provision for Gratuity		18,492,569	13,393,503
Depreciation		172,017,587	176,040,971
Profit on Disposal of Fixed Assets		(480,703)	(398,861)
Dividend Income		(3,397,872)	(76,961)
Interest Income		(1,384,176)	(9,176,409)
Amortization of Intangible Asset		-	680,000
Loss on remeasurement of fair value of investments held for trading		3,082,842	2,931,660
Workers' (Profit) participation Fund		2,557,374	3,533,949
Finance Cost		672,267,463	346,077,198
		863,155,084	533,005,050
		911,745,188	615,583,970
EFFECT ON CASH FLOW OF WORKING CAPITAL CHANGES			
(Increase)/Decrease in Current Assets			
Stores, Spares & Loose Tools		6,378,537	25,987,403
Stock in Trade		(196,493,222)	(858,689,194)
Trade Debtors		22,478,370	35,027,827
Loans & Advances		(343,071,972)	(374,543,320)
Trade Deposits & Short Term Prepayments		40,591,141	(39,795,803)
Short Term Investments		(17,258,976)	(18,369,838)
Other Receivables		13,502,965	(21,401,375)
Increase/(Decrease) in Current Liabilities			
Trade & Other Payables		190,754,134	(7,911,316)
		(283,119,023)	(1,259,695,616)
		628,626,166	(644,111,646)

37. CASH & CASH EQUIVALENTS comprise of:		
Cash & Bank Balances	55,029,934	187,571,153
Short Term Finances	(2,593,341,480)	(2,503,933,618)
	(2,538,311,546)	(2,316,362,465)

38. EARNING PER SHARE

38.1 Basic Earning per Share

Net Earning for the Year	10,687,871	35,012,376
	No. of Shares	
Ordinary Shares outstanding during the Year	18,799,742	18,799,742
	2009 Rupees	**2008 Rupees**
Earning per Share	0.57	1.87

38.2 Diluted Earning per Share

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

39 FINANCIAL RISK MANAGEMENT

39.1 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by Board of Directors of the Company. 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 and liquidity risk.

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 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 exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Japanese Yen. Currently, the Company's foreign exchange risk exposure is restricted to bank balances and amounts receivables/ payables from / to the foreign entities. The Company exposure to currency risk was as follows:

	2009 USD	2008 USD
Trade Debts	163,845,541	193,961,207
Trade and Other Payables	(722,074)	-
Net Exposure	163,123,467	193,961,207

ii) Price Risk

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 instrument traded in the market.

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 saving bank accounts on which rate of return is minimal. The Company's interest rate risk arises from long term financing and short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

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

	2009 Rupees	2008 Rupees
Fixed Rate Instruments		
Financial Liabilities		
Long Term Financing	540,893,200	570,970,195
Short Term Borrowings	39,551,261	-
Floating Rate Instruments		
Financial Assets		
Bank Balances - Saving / Deposits Accounts	36,469	170,036,238
Financial Liabilities		
Long Term Financing	1,105,619,634	1,096,458,742
Short Term Borrowings	2,553,790,219	2,485,216,057

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:

	2009	2008
Investments	40,060,238	29,989,593
Loans and Advances	5,966,956	4,466,950
Deposits	10,595,616	11,209,711
Trade Debts	333,363,581	355,841,951
Other Receivables	2,066,185	1,912,170
Bank Balances	53,056,605	185,950,544
	445,109,181	589,370,919

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 Short Term	Long Term	Agency	2009 Rupees	2008 Rupees
National Bank of Pakistan	A-1+	AAA	JCR-VIS	3,160	1,944
Allied Bank Limited	A1+	AA	PACRA	54,172	2,039,345
Askari Bank Limited	A1+	AA	PACRA	-	1,633
Bank Alflah Limited	A1+	AA	PACRA	451,089	3,037
Faysal Bank Limited	A1+	AA	PACRA	5,787	50,033,538
Habib Bank Limited	A-1+	AA+	JCR-VIS	455,108	192,169
The Bank of Punjab	A1	A	PACRA	3,686	4,486
Soneri Bank Limited	A1	A	PACRA	48,990,990	131,598,836
MCB Bank Limited	A1+	AA+	PACRA	339,770	1,985
Metropolitan Bank Limited				1,248,865	396,947
NIB Bank Limited	A1+	AA-	PACRA	6,678	6,684
RBS Bank	A1+	AA	PACRA	9,705	10,254
Silk Bank Limited	A-3	A-	JCR-VIS	32,528	33,128
Standard Chartered Bank	A1+	AAA	PACRA	22,430	1,546,027
KASB Bank Limited				63,301	64,229
Meezan Bank Limited	A1	A+	JCR	1,098,271	3,687
Bank Al-Habib Limited				14,408	12,615
Bank Islami Limited				20,847	-
Al-Baraka Islamic Bank	A-1	A	JCR-VIS	235,810	-
				53,056,605	185,950,544

Due to Company's long outstanding 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 founding through an adequate amount of committed credit facilities. At 30 June 2009, the Company had Rs. 932.958 Million available borrowings limits from financial institutions and Rs. 55,029,933 cash and bank balances. Inspite the fact that the Company is in a negative working capital position at the year end, management believes the liquidity risk to be low. Following are the maturities of financial liabilities. The amount disclosed in the table are undiscounted cash flows:

Financial Liabilities Maturities as at 30th June, 2009:

	Carrying	6 Month	6-12	1-2	More than
		-----Rupees-----			
Long Term Financing	1,646,512,834	79,970,398	137,260,370	439,163,478	990,118,588
Trade and Other Payables	284,107,041	157,895,138	126,314,685	-	-
Short Term Borrowings	2,593,341,480	1,456,987,897	1,136,353,583	-	-

Financial Liabilities Maturities as at 30th June, 2008:

	Carrying	6 Month	6-12	1-2	More than
		-----Rupees-----			
Long Term Financing	1,667,428,937	230,861,766	209,227,936	583,334,735	644,004,500
Trade and other Payables	101,191,210	56,129,884	45,061,326	-	-
Short Term Borrowings	2,503,933,618	1,497,423,233	1,006,510,385	-	-

39.2 Fair Value of Financial Assets and Liabilities

The carrying value 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.

39.3 Financial Instruments by Categories
As at 30th June 2009

Assets as per Balance Sheet

	Loans	Fair Value	Available	Held to
		-----Rupees-----		
Investments	-	32,436,800	7,363,646	259,792
Loans and Advances	5,966,956	-	-	-
Deposits	10,595,616	-	-	-
Trade Debts	333,363,581	-	-	-
Other Receivables	2,066,185	-	-	-
Cash and Bank Balances	55,029,934	-	-	-
	407,022,272	32,436,800	7,363,646	259,792

Liabilities as per Balance Sheet

	Financial Liabilities at Amortized Cost
	Rupees
Long Term Financing	1,646,512,834
Accrued Mark-up	115,330,522
Short Term Borrowings	2,593,341,480
Trade and Other Payables	284,107,041
	4,639,291,877

As at 30th June 2008

	Assets as per Balance Sheet			
	Loans	Fair Value	Available	Held to
	----------------------Rupees----------------------			
Investments	-	14,862,000	14,867,697	259,896
Loans and advances	4,466,950	-	-	-
Deposits	11,209,711	-	-	-
Trade Debts	355,841951	-	-	-
Other Receivables	1,912,170	-	-	-
Cash and Bank Balances	185,950,544	-	-	-
	559,381,326	14,862,000	14,867,697	259,896

Liabilities as per Balance Sheet

	Financial Liabilities at Amortized Cost
	Rupees
Long Term Financing	1,667,428,937
Accrued Mark-up	88,724,722
Short Term Borrowings	2,485,216,057
Trade and Other Payables	101,191,210
	4,342,560,926

39.4 Capital Risk Management

The Company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce to cost of capital.

In orders to maintain or adjust the capital structure, the Company may adjust the amount through return capital to shareholders through repurchase of shares, right issue, issue new shares, obtain loan from sponsors or sell assets to reduce debt.

Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. The ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred to in Note 6 and 10 respectively. The capital employed includes 'Total Equity' as shown in the balance sheet plus 'Borrowings' and 'Directors Loan.

	2009 Rupees	2008 Rupees
The gearing ratio of the Company as on the balance sheet date was as follows:		
Borrowings	4,239,854,314	4,171,362,555
Total Equity	677,856,044	615,945,623
Directors Loan	217,306,436	144,559,331
Total Capital Employed	5,135,016,794	4,931,867,509
Gearing Ratio	82.57%	84.58%

40. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise subsidiary undertaking and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in Note 35. Other significant transactions with related parties are as follows:

Description		
Sale of Assets/Goods	28,530,351	24,915,565
Factory Lease Payments	78,000,000	115,850,325
Lending/(Borrowing) of Funds	397,147,270	313,239,131

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

41. PLANT CAPACITY & ACTUAL PRODUCTION

	2009	2008
Spinning Section I, III Open End		
Number of Spindles Installed	33,096	33,096
Number of Rotors Installed	2,000	2,000
Number of Spindles Worked	33,006,534	34,208,865
Number of Rotors Worked	638,364	1,870,912
Number of Spindles Shifts Worked	36,240,120	36,339,408
Number of Rotors Shifts Worked	2,190,000	2,196,000
Actual Production Converted into 20/S Count. (Kgs.)	10,543,475	11,918,829
Actual Production of all Counts (Kgs.)	12,262,881	15,492,420
Number of Shifts Worked per day	3	3
Total Number of Shifts Worked during the Year:		
Spindles	1,095	1,098
Rotors	1,095	1,098
Spinning Section II		
Number of Spindles Installed	22,704	22,704
Number of Spindles Worked	21,357,700	22,487,948
Number of Spindles Shifts Worked	24,928,992	24,928,992
Actual Production Converted into 20/S Count. (Kgs.)	6,920,360	7,490,375
Actual Production of all Counts (Kgs.)	6,775,005	7,656,456
Number of Shifts Worked Per day	3	3
Total Number of Shifts Worked during the Year:	1,098	1,098
Spinning Section V - Leased Capacity		
Number of Spindles Installed	20,640	20,640
Number of Spindles Worked	20,855,157	19,764,071
Number of Spindles Shifts Worked	22,662,720	22,662,720
Actual Production Converted into 20/S Count. (Kgs.)	5,210,542	5,294,720
Actual Production of all Counts (Kgs.)	11,475,668	9,745,827
Number of Shifts Worked per day	3	3
Total Number of Shifts Worked during the Year:	1,098	1,098

Weaving Section IV

Number of Looms Installed		120	103
Number of Looms Worked		120	103
Number of Shifts Worked per day		3	3
Capacity Converted into 50 picks/inch - 365 days (2008: 365 days)	Meters	29,471,525	24,477,256
Actual Production of Fabric Converted into 50 picks/inch	Meters	23,112,011	19,846,243

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

The reason for under utilization of available capacity is attributable to normal Repair & Maintenance and Power failures.

42. DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements were authorized for issue by the Board of Directors of the Company on 2nd October, 2009.

43. GENERAL

Figures in these accounts have been rounded off to the nearest Rupee.

44. CORRESPONDING FIGURES

The corresponding figures of the previous Year have been re-arranged, wherever necessary, to facilitate comparison. The following material re-arrangements, reclassifications & restatements have been made in these Financial Statements:

NATURE	RUPEE	FROM	TO	REASON
Amortization of Deferred Cost	15,433,887	Administrative Expenses	Opening Retained Earning	Statutory Compliance
Deferred Cost	46,822,787	Long Term Deposits and Prepayments	Opening Retained Earning	Statutory Compliance
Accrued Interest on Unpaid WPPF	228,030	Trade & Others Payable	Accrued Interest & Mark-up	Statutory Compliance
Loss on Re-measurement of Fair Value of Investment Held for Trading	(3,454,918)	Other Operating Expenses	Other Operating Income	Statutory Compliance
Reversal of Provision for diminution in value of Long Term Investments	523,258	Other Operating expenses	Other Operating Come	Statutory Compliance
Exchange Rate Loss	38,209,964	Sales	Financial Cost	Statutory Compliance

Lahore:
2nd October, 2009

sd/-
(UMER FAROOQ)
DIRECTOR

sd/-
(**MUHAMMAD ISMAIL**)
CHIEF EXECUTIVE