

Done

Annual Report

2009



BROTHERS

TEXTILE MILLS LIMITED



Brothers Textile Mills Limited

23RD

ANNUAL REPORT 2009

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mian Muhammad Aslam Bashir
Mrs. Memoona Idrees
Mrs. Farah Aslam
Mian Muhammad Omer Idrees
Mian Muhammad Furqan Idrees
Mrs. Mehr Omer
Syed Haroon Rashid

Chief Executive Officer

Nominee - N.I.T.

AUDIT COMMITTEE

Mian Muhammad Omer Idrees
Mian Muhammad Furqan Idrees
Mrs. Farah Aslam
Mr. Abdul Sattar Qureshi

Chairman
Member
Member
Secretary

GENERAL MANAGER FINANCE / SECRETARY

Mr. Abdul Sattar Qureshi, FCA

AUDITORS

Kaleem & Company
Chartered Accountants
Apartment # 505, 5th Floor,
Landmark Plaza, Jail Road, Lahore.

LEGAL ADVISOR

Ch. Nazir Ahmad Sadiq

BANKERS AND FINANCIAL INSTITUTIONS

National Bank of Pakistan
MCB Bank Limited
NIB Bank Limited

REGISTERED AND HEAD OFFICE

135-Upper Mall, Lahore.

MILLS

48 Kilometers
Lahore-Multan Road
Phool Nager (Bhai Pheru)
Tehsil Pattoki, District Kasur.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 23rd Annual General Meeting of the Shareholders of Brothers Textile Mills Limited will be held at its Head Office at 135-Upper Mall, Lahore on Saturday, October 31, 2009, at 11.30AM to transact the following business:-

Ordinary Business

1. To confirm the minutes of Extraordinary General Meeting held on 31st January 2009.
2. To receive, consider and adopt the audited accounts of the Company together with the Directors' and Auditors' report for the year ended 30th June 2009.
3. To appoint auditors and fix their remunerations. The existing auditors, M/s. Kaleem & Company, Chartered Accountants, being eligible, have offered themselves for reappointment.
4. To transact any other business with the permission of the Chair.

By order of the Board

Place : **Lahore**,
Date : October 10, 2009

(**Abdul Sattar Qureshi**)
Company Secretary

Notes

- 1- The share transfer books of the Company will remain closed from October 25, 2009 to October 31, 2009 (both days inclusive). The transfers received in order at the registered office of the Company, i.e., 135 - Upper Mall, Lahore, up to October 24, 2009, will be considered in time.
- 2- A member entitled to attend and vote at the meeting is entitled to appoint another member as a proxy to attend and to vote instead of him/her. Proxies in order to be effective must reach the Company's registered office at 135- Upper Mall, Lahore, not less than 48 hours before the time for holding the meeting.
- 3- The CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Cards, accounts and Participant I.D. Numbers for identification.



Vision

To accomplish, build up and sustain a good reputation of the project in textile sector locally and globally by marketing high quality of yarn through team work by means of honesty, integrity and commitment.

Mission

To provide maximum satisfaction to customers by supplying fine quality of yarn for knitting and weaving for well known textile brands through effective utilization of men, material and machines by encouraging, supporting and rewarding the employees with highest level of efficiency, productivity and profitability sharing alongwith shareholders.



DIRECTORS' REPORT TO THE MEMBERS

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

Dear Members:-

Your Directors are pleased to present their 23rd Annual Report together with the Company's audited financial Statements for the year ended June 30, 2009.

FINANCIAL RESULTS

(Rupees in Thousands)

	2009	2008
Sales	-	166,647
Cost of Sales	-	176,242
Gross Profit/(Loss)	-	(9,595)
Pre-tax Loss	(29,908)	(35,266)
After Tax Loss	(32,093)	(38,419)

REVIEW OF OPERATIONS

It has already been reported in the nine months' statement for the period ended 31-03-2008 and also in the annual report for the year ended 30-06-2008 that due to the severe crisis in the textile industry, the mills' operation had been suspended since 01-02-2008. This situation still persists. However, Your Board of Directors are committed to re-start the operation of the mills as and when the business conditions improve and clear indications of running the mills on reasonable profit margin, are witnessed.

During the year under review, your company sustained loss after taxation of Rs. 32.093 millions (after charging depreciation of Rs. 8.393 million) as compared to net loss after taxation of Rs. 38.418 millions (including depreciation of Rs. 8.480) reported in the corresponding year ended June 30, 2008.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors are pleased to state that your Company has complied with the provisions of the Code of Corporate Governance as required by Securities and Exchange Commission of Pakistan and enforced through the listing regulations of Karachi and Lahore Stock Exchanges:-

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.



- Appropriate accounting policies have been consistently applied in the preparation of financial statements, and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and departure there from, if any, has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Information about Taxes and Levies is given in the Notes to the Financial Statements.

STATUTORY PAYMENTS

As on the closing date, there are no statutory payments on account of taxes, duties, levies and charges, which are outstanding and have not been disclosed in the financial statements.

TRADE IN THE SHARES OF THE COMPANY

The Chief Executive Officer, Directors, Chief Financial Officer and Company Secretary and their spouses and minor children made no purchase/sale of shares during the period under review.

BOARD MEETINGS

Following was the attendance of Directors in the four Board meetings held during the period under review:-

Mian Muhammad Aslam Bashir	4
Mrs. Mamoona Idrees	5
Mrs. Farah Aslam	4
Mian Muhammad Omer Idrees	5
Mian Muhammad Furqan Idrees	5
Mrs. Mehr Omer	5
Mr. Haroon Rashid (NIT Representative)	1
Mr. Muhammad Shakeel (ICP Representative)	1

Leave was granted to the members of the Board, who were unable to attend the meetings.

AUDIT COMMITTEE

The Board, in compliance with the Code of Corporate Governance, constituted an audit committee comprising of the following members:-

Mian Muhammad Omer Idrees	Chairman
Mian Muhammad Furqan Idrees	Member
Mrs. Farah Aslam	Member



PATTERN OF SHAREHOLDING

The pattern of shareholding is shown on page No. 8 & 9 of this report.

KEY OPERATING AND FINANCIAL DATA

Operating and financial data with key ratios for the last six years is annexed.

CONTINGENCIES & COMMITMENTS

The Company did not have any contingency and commitment, which was required to be mentioned in Notes to the accompanying financial statements.

FUTURE PROSPECTS

The severe crisis in the textile industry as reported in the yearly statements for the year ended 30-06-2008 still persists. All the input costs including the purchase rates of raw material (cotton, polyester fibre) are very high, whereas yarn selling rates do not match them. So most of the mills have been sustaining cash losses and there are reports of closure of over 100 mills. Moreover, Wapda has also increased electricity rates by 31 % w.e.f. September, 2008. In this scenario, your Board of Directors decided not to start the operation of the mills till such time the business conditions improve and there are clear indications of running the mills on reasonable profit margin.

DIVIDEND

In view of the net loss after taxation of Rs. 32.093 million, the Directors have not recommended any dividend.

AUDITORS

Messrs Kaleem & Company, chartered Accountants, the existing auditors of the company, retire and being eligible, have offered themselves for reappointment.

ACKNOWLEDGMENT

The Directors place on record their appreciation for the support and cooperation extended by its bankers and other financial institutions to the Company.

Your Directors also appreciate the efforts of the management, staff and workers for their dedication and hard work.

For and on behalf of the Board of Directors

CHIEF EXECUTIVE OFFICER

Lahore: September 30, 2009

DIRECTOR



PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009

Size of Holding of Shares

<u>No. of Shareholders</u>	<u>From</u>	<u>To</u>	<u>Total Shares held</u>
311	1	100	15053
425	101	500	105361
314	501	1000	218223
261	1001	5000	629654
64	5001	10000	486094
21	10001	15000	259183
12	15001	20000	214939
5	20001	25000	116425
1	25001	30000	25385
1	30001	35000	33118
2	35001	40000	74001
2	40001	45000	84700
3	45001	50000	145405
2	65001	70000	133679
2	70001	75000	145750
3	75001	80000	230210
1	90001	95000	91485
1	110001	115000	114146
2	115001	120000	238695
1	120001	125000	122195
1	140001	145000	143859
2	145001	150000	296133
1	225001	230000	228484
2	245001	250000	493143
2	255001	260000	519750
2	305001	310000	616027
2	310001	315000	623195
2	315001	320000	635393
1	325001	330000	329050
1	345001	350000	348877
1	370001	375000	374220
1	450001	455000	454655
1	615001	620000	617961
1	635001	640000	636552
1454			9801000

<u>Categories of Shareholders</u>	<u>Number of Shareholders</u>	<u>Number of Shareheld</u>	<u>Percentage of Issued Capital</u>
Individuals	1415	7,914,911	80.7563%
Investment Companies	1	5,000	0.05101%
Insurance Companies	3	355,417	3.6263%
Joint Stock Companies	21	100,840	1.0288%
Financial Institutions	7	1,414,979	14.4370%
Modarabas	4	9,008	0.0919%
Others	3	845	0.0087%
Total	1454	9801000	100.000 %



**PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009 - ADDITIONAL INFORMATION
AS REQUIRED BY THE CODE OF CORPORATE GOVERNANCE**

S.No.	Name		Shares Held	Percentage
1)	<u>CEO, DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN</u>			
	i) Mian Muhammad Aslam Bashir	CEO	228,484	2.33
	ii) Mrs. Mamoona Idrees	Director	310,850	3.17
	iii) Mrs. Farah Aslam	Director	454,655	4.64
	iv) Mian Muhammad Omer Idrees	Director	91,484	0.93
	v) Mian Muhammad Furqan Idrees	Director	66,179	0.68
	vi) Mrs. Mehr Omer	Director	1,500	0.02
	vii) Mrs. Fatima Furqan		23,425	0.24
2)	<u>FINANCIAL INSTITUTIONS</u>			
	i) National Bank of Pakistan (as Trustee for NIT)		1,380,657	14.03
	ii) IDBP - ICP Unit		10,340	0.11
	iii) Industrial Development Bank of Pakistan		13,482	0.14
3)	<u>INSURANCE COMPANIES</u>			
	i) State Life Insurance Corp. of Pakistan		348,877	3.56
	ii) Asia Insurance Company Ltd.		6,187	0.06
4)	<u>JOINT STOCK COMPANIES</u>			
	Dosslani Securities (Pvt.) Ltd.		40,500	0.41
5)	<u>MODARBAS</u>			
	First Mehran Modarba		8,280	0.08
	<u>SHAREHOLDERS HAVING HOLDING 10 % OR MORE</u>			
	National Bank of Pakistan (as Trustee for NIT)		1,380,657	14.09



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 Chapter XI of listing regulations of the Karachi and Chapter XIII of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:-

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five independent non - executive directors.
2. The directors have confirmed that none of them is serving as director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
5. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended, has been maintained.
6. All the powers of the Board have been duly exercised and decisions of material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. No orientation courses were arranged for its directors during the year. However, the Board is in the process of planning these courses in the next year.
9. The Board has approved appointment of CFO, Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
10. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises three members, of whom two are non executive directors including the chairman of the committee.
15. The meetings of the audit committee were held at least once in every quarter prior to the approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the Committee for compliance.
16. The Board has set up effective internal audit function manned by experienced personnel, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they (or their representatives) are involved in the internal audit function on a full time basis.
17. The proposed statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

CHIEF EXECUTIVE OFFICER

DIRECTOR



**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE
WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Brothers Textile Mills Ltd. to comply with the listing Regulation No.37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) limited and No.43 (Chapter XIII) of Listing Regulations of the Lahore Stock Exchange where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, except the non compliance of IAS-19 (Note-7), which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2009.

Lahore: September 30, 2009

**KALEEM AND COMPANY
CHARTERED ACCOUNTANTS**



AUDITORS' REPORT TO THE MEMBERS OF BROTHERS TEXTILE MILLS LIMITED

We have audited the annexed balance sheet of BROTHERS TEXTILE MILLS LIMITED as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
 - i) the balance sheet and profit and 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.
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, with the exception of the effect mentioned in Note 7, in the manner so required and respectively give a true and fair view of the state of company's affair as at 30 June 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) without qualifying our opinion, we draw attention to the Note 2.1 (b) in the financial statements which indicates that the company incurred a net loss of Rs. 32.093 million during the year ended June 30, 2009 and has accumulated losses of Rs. 165.803 million. As of that date, the company's current liabilities exceeded its current assets by Rs. 146.924 million. These conditions, along with other matters as set forth in Note 2.1 (b), indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Furthermore, due to consecutive losses, the operation of the company has been suspended since February, 2008. The financial statements have, however, been prepared on a going concern basis in view of measures referred to in Note 2.1 (b) to the annexed financial statements; and

- (e) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore: September 30, 2009.

KALEEM AND COMPANY
CHARTERED ACCOUNTANTS



BALANCE SHEET AS AT JUNE 30, 2009

		2009	2008
	<u>NOTE</u>	<u>RUPEES</u>	<u>RUPEES</u>
<u>CAPITAL & LIABILITIES</u>			
<u>SHARE CAPITAL & RESERVES:</u>			
Authorized:			
10,000,000 Ordinary Shares of Rs. 10 each		100,000,000	100,000,000
Issued, Subscribed and Paid-up:			
9,801,000 Ordinary Shares of Rs. 10 each	3	98,010,000	98,010,000
Accumulated Loss		(165,802,623)	(137,874,284)
		(67,792,623)	(39,864,284)
Surplus on revaluation of Fixed Assets	4	32,326,952	34,307,094
		(35,465,671)	(5,557,190)
<u>NON-CURRENT LIABILITIES</u>			
Long Term Loans-Secured	5	3,231,895	22,390,222
Sponsors' Unclaimed dividend		14,645,906	14,645,906
Liabilities Against assets Subject to Finance Lease	6	-	-
		17,877,801	37,036,128
<u>DEFERRED LIABILITY</u>			
Staff Retirement Benefits	7	3,452,570	5,136,846
<u>CURRENT LIABILITIES</u>			
Trade and Other Payables	8	372,991,388	293,246,069
Accrued Mark - up		8,076,283	5,357,884
Short Term Borrowings	9	-	48,834,034
Current Portion of Long Term Liabilities	10	41,658,327	35,594,770
Unclaimed Dividend		1,656,474	1,656,474
		424,382,472	384,689,231
Contingencies & Commitments	11	-	-
		410,247,172	421,305,015
<u>ASSETS</u>			
<u>NON-CURRENT ASSETS</u>			
Tangible Fixed Assets	12	132,788,518	141,752,741
Long Term Deposits	13	-	323,444
<u>CURRENT ASSETS</u>			
Stores, Spares & Packing Material	14	7,872,142	7,861,807
Trade Debts	15	44,343	44,343
Trade Deposits, Prepayments and Others Receivable	16	266,929,315	268,056,258
Income Tax Refundable - Net		2,530,490	2,501,263
Cash & Bank Balances	17	82,364	765,159
		277,458,654	279,228,830
		410,247,172	421,305,015

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

CHIEF EXECUTIVE OFFICER

DIRECTOR



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>NOTE</u>	<u>2009 RUPEES</u>	<u>2008 RUPEES</u>
Sales	18	-	166,647,447
Cost of Sales	19	-	176,241,895
Gross Loss		-	(9,594,448)
Administrative and Selling Expenses	20	20,919,717	11,734,044
Operating Loss		<u>(20,919,717)</u>	<u>(21,328,492)</u>
Other Income	21	1,125,594	457,994
		<u>(19,794,123)</u>	<u>(20,870,498)</u>
Finance Cost	22	<u>(10,114,358)</u>	<u>(14,396,436)</u>
Loss Before Taxation		<u>(29,908,481)</u>	<u>(35,266,934)</u>
Provision for Taxation	23	<u>(2,184,751)</u>	<u>(3,151,646)</u>
Loss After Taxation		<u><u>(32,093,232)</u></u>	<u><u>(38,418,580)</u></u>
Basic Earnings Per Share	24	(3.27)	(3.92)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR



**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2009</u> <u>RUPEES</u>	<u>2008</u> <u>RUPEES</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Loss Before Taxation	(29,908,481)	(35,266,934)
Adjustments for:		
Depreciation	8,393,818	8,480,013
Provision for Gratuity	1,571,805	(6,557,768)
Gain on Sale of Fixed Asset	(1,125,594)	(128,249)
Finance Cost	10,114,358	14,396,436
	<u>18,954,387</u>	<u>16,190,432</u>
Cash flows from Operating activities Before Working Capital Changes	(10,954,094)	(19,076,502)
Cash flows from Working Capital Changes		
(Increase)/Decrease in:		
Stores, Spares & Packing Material	(10,335)	748,941
Stock in Trade	-	44,936,162
Trade Debts	-	746,542
Trade Deposits, Prepayments and Others Receivable	1,126,943	2,078,591
	<u>1,116,608</u>	<u>48,510,236</u>
Increase/(Decrease) in:		
Trade and Others Payable	79,745,319	2,625,216
	<u>79,745,319</u>	<u>2,625,216</u>
Cash Generated from Operations	69,907,833	32,058,950
Finance Cost Paid	(7,395,960)	(12,405,803)
Gratuity Paid	(3,256,081)	(6,292,775)
Income Tax Paid	(29,227)	(837,141)
Net Cash flow from Operating Activities Carried Forward	<u>59,226,565</u>	<u>12,523,231</u>



	2009	2008
	<u>RUPEES</u>	<u>RUPEES</u>
B/F	59,226,565	12,523,231
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of Fixed Assets	-	(193,286)
Proceed From Disposal of Fixed Assets	1,696,000	21,520,000
Long Term Deposits	323,444	235,155
Net Cash flow (used in) Investing Activities	2,019,444	21,561,869
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payment of Long-term Loan	(11,014,844)	(6,112,630)
Short Term Borrowings	(48,834,034)	(27,358,936)
Liability Against Assets Subject to Finance Lease	(2,079,926)	(2,475,234)
Net Cash (used in) financing Activities	(61,928,804)	(35,946,800)
Net (Decrease) in Cash And Cash Equivalents	(682,795)	(1,861,700)
Cash & Cash Equivalents at the beginning of the Year	765,159	2,626,859
Cash & Cash Equivalents at the end of the Year	<u>82,364</u>	<u>765,159</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Share Capital</u> RUPEES	<u>Accumulated Profit/(Loss)</u> RUPEES	<u>Total Equity</u> RUPEES
Balance as on June 30, 2007	98,010,000	(109,296,033)	(11,286,033)
Net loss for the year 2008	-	(38,418,580)	(38,418,580)
Transferred From Surplus On Revaluation of Fixed Assets-(Note 4)	-	2,443,292	2,443,292
Revaluation Surplus on assets disposed off	-	5,080,277	5,080,277
Reversal of Taxable Temporary Differences relating to Revaluation Surplus	-	2,316,760	2,316,760
Balance as at June 30, 2008	<u>98,010,000</u>	<u>(137,874,284)</u>	<u>(39,864,284)</u>
Net loss for the year 2009	-	(32,093,232)	(32,093,232)
Transferred From Surplus On Revaluation of Fixed Assets-(Note 4)	-	1,980,142	1,980,142
Reversal of Taxable Temporary Differences relating to Revaluation Surplus	-	2,184,751	2,184,751
Balance as at June 30, 2009	<u><u>98,010,000</u></u>	<u><u>(165,802,623)</u></u>	<u><u>(67,792,623)</u></u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

1 NATURE AND STATUS OF THE COMPANY

The Company was incorporated in Pakistan on November 02, 1986 as a Public Limited Company under the Companies Ordinance, 1984 and is listed on the Karachi and Lahore Stock Exchanges in Pakistan. The company commenced its commercial production in March 1988. The registered office of the company is situated at 135-Upper Mall, Lahore. It is principally engaged in the manufacturing and sale of yarn.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1) Statement Of Compliance

- (a) 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.
- (b) The company has been suffering losses after taxation for the last nine years consecutively. The losses have accumulated to Rs. 165,802,623 as on June 30, 2009 including loss of Rs. 32,093,232 for the year then ended. Moreover, current liabilities exceeded current assets by Rs. 146,923,818 on that date.

The above losses caused mainly due to an unprecedented increase in cotton purchase prices without corresponding increase in yarn selling prices, and also increase in cost of other inputs like electricity, salary / wages, bank markup rates, etc. The phenomena was common to entire textile spinning industry of the country. Resultantly, the mills was running into losses, the operation of the mills was temporarily suspended w.e.f 01-02-2008 and it is still closed.

The company is closely assessing the situation to restart the operation of the mills. The management is planning to take following significant measures to resume operational performance and liquidity of the company:

- 1 To negotiate with banks and other financial institutions for further financial support to restart the manufacturing operations of the company subject to increasing demand of yarn and revival of international economy.
- 2 To obtain financial assistance from sponsors and directors of the company.
- 3 In short run, in order to recover some losses and to live in touch with the textile industry, the management is planning to start the trading of raw cotton.

Finally, the management is very much convinced that the above measures would result in improving the financial position and operational performance of the company. Accordingly, these financial statements have been prepared on going concern basis.



2.2) Accounting Convention

These accounts have been prepared under historical cost convention without any adjustments for the effects of inflation or current values except to the extent that certain fixed assets have been included at revalued amount.

2.3) Basis Of Preparation

These accounts have been prepared under accrual basis of accounting except cash flow statement which is prepared on cash basis.

2.4) Employees Retirement Gratuity

The Company operates an unfunded defined benefit gratuity scheme. The cost of providing benefits under the plan is determined by using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income and expense when the cumulative unrecognized actuarial gains or losses for the plan exceed 14.52% of the higher of the defined benefit obligation and the fair value of plan assets. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

2.5) Taxation

Current:

Change for current taxation is based on taxable income of the company after considering tax credits and tax rebate available, if any.

Deferred

Deferred tax is accounted for using the liability method on all temporary differences between the carrying amount of assets and liabilities in the financial statements and their tax basis. Deferred tax liabilities are recognized for all taxable temporary differences. The company recognizes deferred tax assets on all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which these deductible temporary differences can be utilized. Deferred tax is calculated at the tax rate that are expected to apply to the period when the assets is realized or the liability is settled.

2.6) Surplus On Revaluation Of Fixed Assets

Revaluation gains/(losses) are accounted for and disclosed in accordance with the provisions of section 235 of the Companies Ordinance, 1984 and SRO 45(1) 2003 dated 23 January 2003.

2.7) Fixed Assets and Depreciation

- a) Fixed assets including additions are stated at cost, less accumulated depreciation, except that certain assets are stated at revalued amount. Capital work in progress are stated at cost.
- b) Depreciation on fixed assets is provided on the reducing balance method at the rate specified in schedule of tangible fixed assets.
- c) Maintenance and normal repairs are charged to current year's income. Major renewals and improvements are capitalized.
- d) Depreciation on additions is charged from the month in which the asset is put to use. Depreciation on disposals of the assets is charged up to the month the assets was in use.
- e) Gains and losses on disposal of fixed assets are included in income currently.



2.8) Leased Assets

Assets subject to finance are recorded at the inception of lease at the value representing the lower of present value of minimum lease payments under the Agreements and the fair value of the assets. The related obligation of lease are accounted for as liabilities. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period. Financial charges and depreciation on leased assets are charged to current income.

Operating lease rentals are recorded on an accrual basis.

2.9) Store, Spares and packing material

These are valued at moving average cost except for items-in-transit which are valued at cost comprising invoice values plus other charges paid thereon.

2.10) Stock-in-Trade

Stock-in-Trade is valued at lower of average cost and net realizable value except waste which is valued at net realizable value determined on the basis of market prices. Stock in transit is valued at cost comprising invoice value plus other charges incurred thereon. Average cost and net realizable value are defined as under:

Average Cost

For Raw Materials

- Weighted average cost

For Work-in-Process
and Finished Goods

- Cost of direct material, labour
and a proportion of
manufacturing overheads based
on normal capacity.

Cotton Waste

- At estimated realizable value.

Net Realizable Value

- Selling prices in the ordinary
course of business less
incidental selling expenses.

2.11) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and in transit and balances with bank in current and deposit accounts and revenue stamps.

2.12) Foreign Currency Translation.

Transaction in foreign currencies are converted into Pak rupee at the rate of exchange prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the balance sheet date. Exchange gains & losses are included in current year income.

2.13) Off Setting of Financial Assets and Financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is legally enforceable right to set off and the company intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.



2.14) Provisions

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

2.15) Revenue Recognition

Revenue from sales is recognized on dispatch of goods to customers whereas export sales are on shipment basis. Interest income on advances to suppliers and customers is accounted for on accrual basis and others is charged in accordance with commitments.

2.16) Financial Instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when the company loses control of its contractual rights that comprise the financial asset. A financial liability is derecognized when it is extinguished. Any gain or loss on de-recognition of the financial assets or liabilities is taken to profit and loss account.

2.17) Transactions with Related Parties and transfer pricing

Transactions and contracts with related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled pricing method.

2.18) Borrowing Cost

Interest, mark-up and other charges on long term liabilities are capitalized up to the date of commissioning of respective fixed assets acquired out of the proceeds of such long term liabilities. All other interest, mark-up and other charges are charged to profit & loss account.

2.19) Trade Debts

Trade debts are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future. Known bad debts are written off and provision is made against debts considered doubtful.

2.20) Trade and Other Payable

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

2.21) General

Figures in these financial statements are rounded off to nearest rupee. Previous year's figures have been rearranged wherever necessary for the purpose of comparison only.

	2009	2008
	<u>RUPEES</u>	<u>RUPEES</u>
3 <u>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</u>		
Issued for cash 7,920,000 Ordinary shares of Rs. 10/- each	79,200,000	79,200,000
Issued as Bonus Shares 1,881,000 Ordinary Shares of Rs. 10/- each	18,810,000	18,810,000
	<u>98,010,000</u>	<u>98,010,000</u>



	2009	2008
	<u>RUPEES</u>	<u>RUPEES</u>
4 <u>SURPLUS ON REVALUATION OF FIXED ASSETS</u>		
Opening balance as previously reported	56,079,115	72,649,392
Incremental depreciation on revalued assets relating to current year transferred to accumulated Loss	(4,157,345)	(4,862,406)
	<u>51,921,770</u>	<u>67,786,986</u>
Less: Revaluation Surplus on assets disposed off	-	(11,707,871)
	<u>51,921,770</u>	<u>56,079,115</u>
Related Deferred Tax Liability:		
Opening Balance	(21,772,021)	(24,191,135)
Incremental Depreciation Charged on Related Assets	2,177,203	2,419,114
	<u>(19,594,818)</u>	<u>(21,772,021)</u>
	<u>32,326,952</u>	<u>34,307,094</u>
Amount to be Transferred to Accumulated Loss	<u>(1,980,142)</u>	<u>(2,443,292)</u>

5 LONG TERM LOANS (Secured)

National Bank of Pakistan	5.1	7,000,000	29,500,000
NIB Bank Limited	5.2	15,390,222	26,405,066
		<u>22,390,222</u>	<u>55,905,066</u>
Transferred to Current Portion	10	(19,158,327)	(33,514,844)
		<u>3,231,895</u>	<u>22,390,222</u>

5.1 This represents Demand Finance obtained from National Bank of Pakistan and the loan is repayable in 20 quarterly installments starting from March 15, 2005 and ending on December 15, 2009. This loan is secured against first pari passu charge on fixed assets and personal guarantee of all the directors and carries markup at six months KIBOR (ask side) + 3% per annum (with a floor of 7% per annum).

5.2 This represents Term Finance obtained from NIB Bank and the loan is repayable in 20 quarterly installments starting from December 18, 2005 and ending on September 18, 2010. This loan is secured against first pari passu charge on fixed assets and personal guarantee of all the directors and carries markup at three months KIBOR (ask side) + 5.13% per annum (with a floor of 10% per annum).



		2009 RUPEES	2008 RUPEES
6 LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE			
Installments are payable in the following periods			
2009		-	2,185,990
Less: Financial charges related to future periods		-	(106,064)
		-	2,079,926
Less: Current maturity	10	-	(2,079,926)
		-	-
<p>The lease has been expired in the current period. The value of the minimum lease payments had been discounted at the implicit interest rate as three months' KIBOR + 1% p.a. with a floor of 7%. The rentals were payable in monthly installments. Taxes, repairs, and insurance were borne by the company. Liabilities were secured against deposits of Rs. 0.323 Million included in long term deposits.</p>			
Gross Minimum Lease Payments			
Not later than one year		-	2,185,990
Later than one year but not later than five years		-	-
		-	2,185,990
Present Value of Minimum Lease Payments			
Not later than one year		-	2,079,926
Later than one year but not later than five years		-	-
		-	2,079,926
7 DEFERRED LIABILITY-STAFF RETIREMENT BENEFITS			
Opening Balance		5,136,846	17,987,389
Benefit Paid During the Year		(3,256,081)	(6,292,775)
		1,880,765	11,694,614
Provision Made /(Reversed) During the Year	7.1	1,571,805	(6,557,768)
		3,452,570	5,136,846
Present value of Obligation		-	3,390,380
Unrecognized Transitional Liability		-	(205,667)
Unrecognized Actuarial Gain / (Loss)		-	1,952,133
Liability to be Recognized in the Balance Sheet		-	5,136,846
Opening Balance		-	17,987,389
Expenses Reversed During the Year		-	(6,557,768)
Benefit Paid During the Year		-	(6,292,775)
		-	5,136,846
Current Service Cost		-	880,791
Interest Cost		-	1,091,372
Recognized Transitional Liability		-	722,982
Net Actuarial (Gain) / Loss Recognized		-	(9,252,913)
Expenses for the Year		-	(6,557,768)



Summary of Assumptions

Average Remaining Working Life	5 Years
Valuation Discount Rate	10 % p.a.
Salary Increases	14.52% p.a.

7.1 The Company operates an unfunded defined benefit gratuity scheme. The cost of providing benefits under the plan is determined by using the projected unit credit actuarial valuation method. Due to suspension of company operations, the gratuity share was paid to most of the employees at their final settlements in the current and previous periods. Due to this reason and other managerial barriers, the company has not followed the actuarial valuation method in the current period. However, the management is committed to comply with the requirements of IAS-19 in the coming periods.

8 TRADE AND OTHERS PAYABLE		2009 RUPEES	2008 RUPEES
Creditors		5,618,175	6,879,123
Accrued Expenses		685,671	902,972
Workers Profit Participation Fund	8.1	6,756,858	6,170,647
Tax Deducted at Source		1,617	48,372
Payable to Associated Undertakings	8.2	313,252,575	232,568,463
Payable to Ex-Ittefaq Group Companies	8.3	46,676,492	46,676,492
		<u>372,991,388</u>	<u>293,246,069</u>
8.1 Workers profit Participation Fund			
Opening Balance		6,170,647	5,635,294
Add: Interest		586,211	535,353
		<u>6,756,858</u>	<u>6,170,647</u>
8.2 Payable to Associated Undertakings			
Brothers Sugar Mills Ltd.		254,082,128	222,021,327
Brothers Engineering (Pvt) Ltd.		59,170,447	10,547,136
		<u>313,252,575</u>	<u>232,568,463</u>
8.3 Payable to Ex-Ittefaq Group Companies			
This represents the amount due to Ex- Ittefaq group companies which were previously associated undertakings.			
9 SHORT TERM BORROWINGS (Secured)			
- Bank Alfalah Ltd C.F.I	9.1	-	43,926,121
- Bank Alfalah Ltd C.F.II	9.2	-	4,907,913
		<u>-</u>	<u>48,834,034</u>



9.1 Maximum limit of this running finance facility is Rs. 44 Million. It carries markup at 8.25 % per annum (i.e. 2.5% per annum spread over deposit rate of 5.75% per annum on deposit of third party). The markup is payable quarterly. The facility is fully secured against lien on term deposit of third party and personal guarantee of the directors. The facility was expired during the current period.

9.2 Maximum limit of this running finance facility is Rs. 5 Million. It carries markup at three months' average KIBOR offer rate + 3% per annum (with the floor of 11% per annum). The markup is payable quarterly. The facility is fully secured against 1st pari passu charge on current assets of the company and personal guarantee of the directors. The facility was expired during the current period.

		<u>2009</u>	<u>2008</u>
		<u>RUPEES</u>	<u>RUPEES</u>
10	<u>CURRENT PORTION OF LONG TERM LOANS</u>		
	Long Term Loan	5	41,658,327
	Liability Against Assets Subject to Finance Lease	6	33,514,844
			2,079,926
		<u>41,658,327</u>	<u>35,594,770</u>

10.1 Current maturity of long term loan includes the amount of Rs.22,500,000 which was transferred to current maturity in the previous period but the payment is not made in the current period. This amount relates to the demand finance from NBP (see note # 5).

11 CONTINGENCIES & COMMITMENTS

There were no known contingencies and commitments as at June 30, 2009. (2008 : Nil)


12 TANGIBLE FIXED ASSETS

PARTICULARS	C O S T/REVALUED AMOUNTS			DEPRECIATION					W.D.V. As At 30-06-2009
	As At 01-07-2008	Additions/ (Deletions) During The Year	As At 30-06-2009	Rate %	As At 01-07-2008	Adjustment	For The Year	Accumulated As At 30-06-2009	
OWNED ASSETS :									
Land - Freehold	3,992,919	-	3,992,919	-	-	-	-	-	3,992,919
Building:									
-Factory	48,529,727	-	48,529,727	10	29,668,368	-	1,886,136	31,554,504	16,975,223
-Colony	3,395,000	-	3,395,000	5	2,192,753	-	60,112	2,252,865	1,142,135
-Office	4,151,953	-	4,151,953	5	1,639,688	-	125,613	1,765,301	2,386,652
Textile Machinery	337,237,394	7,013,084	344,250,478	10	235,784,934	1,569,048	5,344,825	242,698,607	101,551,671
Electrical Installations	10,592,993	-	10,592,993	10	9,266,663	-	132,633	9,399,296	1,193,697
Laboratory Equipments	11,727,621	-	11,727,621	10	8,634,174	-	309,345	8,943,519	2,784,102
Fire Fighting Equipments	163,715	-	163,715	10	144,281	-	1,943	146,224	17,491
Weighing Scales	86,500	-	86,500	10	57,407	-	2,909	60,316	26,184
Vehicles	7,945,003	(2,928,873)	5,016,130	20	5,321,201	(2,358,468)	410,679	3,373,412	1,642,718
Furniture and Fixtures	1,408,201	-	1,408,201	10	973,287	-	43,491	1,016,778	391,423
Tools and Equipments	2,100,487	-	2,100,487	10	1,384,511	-	71,598	1,456,109	644,378
Cycles	10,320	-	10,320	20	9,435	-	177	9,612	708
Arms and Ammunition	138,149	-	138,149	10	94,575	-	4,357	98,932	39,217
RUPEES 2009	431,479,982	7,013,084	435,564,193		295,171,277	1,569,048	8,393,818	302,775,675	132,788,518
		(2,928,873)				(2,358,468)			
LEASED ASSETS:									
Machinery	7,013,084	(7,013,084)	-	10	1,569,048	(1,569,048)	-	-	-
RUPEES 2009	438,493,066	7,013,084	435,564,193		296,740,325	1,569,048	8,393,818	302,775,675	132,788,518
		(9,941,957)				(2,358,468)			
RUPEES 2008	487,476,365	193,286	438,493,066		309,417,552	-	8,480,013	296,740,325	141,752,741
		(49,176,585)				(21,157,240)			

12.1 Depreciation for the year has been allocated as under :-

	2009 RUPEES	2008 RUPEES
Cost of Goods Sold	-	7,764,154
Administrative & Selling Exp.	8,393,818	715,659
	<u>8,393,818</u>	<u>8,480,013</u>



12.2 DISPOSAL OF FIXED ASSETS

Particulars	Cost/Revalued Amount Rupees	Revaluation Adjustment Rupees	Accumulated Depreciation Rupees	Book Value Rupees	Sales Proceed Rupees	Gain/ (Loss) Rupees	Mode Rupees	To Whom Sold Rupees
<u>Vehicles</u>								
Honda Civic LXU 27	1,090,500	-	878,646	211,854	550,000	338,146	Negotiation	Mr. Jahanzaib
Honda City LXZ 3282	812,110	-	655,554	156,556	501,000	344,444	Negotiation	Mr. Naseer Ahmed
Toyota Corolla LRF 9348	1,026,263	-	824,268	201,995	645,000	443,005	Negotiation	Mr. Nasir Habib
2009	2,928,873	-	2,358,468	570,405	1,696,000	1,125,595		
2008	49,176,585	6,627,594	21,157,240	21,391,751	21,520,000	128,249		

12.3 Had there been no revaluation, the cost, accumulated depreciation and book value of the revalued fixed assets would have been as follows.

Particulars	Cost as at June 30, 2009	Accumulated Depreciation as at June 30, 2009	Book value as at June 30, 2009
Land-Free hold	461,057	-	461,057
Building	28,604,441	21,167,614	7,436,827
Machinery	234,051,386	191,954,120	42,097,266
	263,116,884	213,121,734	49,995,150

12.4 Land, Building and machinery were revalued on September 30, 2000 and September 30, 2004 by independent valuers, Messers Ford Rhodes Sidat Hyder & Company, Chartered Accountants in association with Messers SURVAL. Technical Consultants. On the basis of the market value of land, replacement value determined at current schedule of rates for building and replacement cost for machinery. Following revaluation surplus arose as a result of the revaluations.

Revaluation Date	Revaluation Surplus			Total Rupees
	Land-Freehold Rupees	Building Rupees	Machinery Rupees	
September 30, 2000		18,165,072	78,116,567	96,283,639
September 30, 2004	3,531,862	9,307,157	25,522,194	38,361,223
	3,531,862	27,472,239	103,640,761	124,644,862



	<u>2009</u> <u>RUPEES</u>	<u>2008</u> <u>RUPEES</u>
13 <u>LONG TERM DEPOSITS</u>		
Security deposits against Leased Assets	-	323,444
14 <u>STORES, SPARES & PACKING MATERIAL</u>		
Stores	709,333	698,998
Spares	7,010,893	7,010,893
Packing Material	151,916	151,916
	<u>7,872,142</u>	<u>7,861,807</u>
15 <u>TRADE DEBTORS- Unsecured</u> <u>(Considered Good)</u>	<u>44,343</u>	<u>44,343</u>
16 <u>TRADE DEPOSITS, PREPAYMENTS AND</u> <u>OTHER RECEIVABLES</u>		
Advance to Suppliers - considered good	1,140,858	1,187,958
Loan and Advances to employees - considered good	608,983	1,763,681
Trade Deposits	2,045,000	1,845,000
Sales Tax refundable	1,003,450	1,136,237
Advance from Ex-Ittefaq group Companies	262,081,724	262,081,724
Others receivable	49,300	41,658
	<u>266,929,315</u>	<u>268,056,258</u>
16.1 This represents the amount receivable from various companies which were previously associated undertakings but have now been allocated by the honourable Lahore High Court to other families of ex-Ittefaq Group. However, the matter is still under litigation.		
17 <u>CASH AND BANK BALANCES</u>		
Balances at Banks in Current Accounts	54,522	736,435
Cash in Hand	27,842	28,724
	<u>82,364</u>	<u>765,159</u>
18 <u>SALES - NET</u>		
Local	-	163,282,410
Cotton Waste	-	3,365,037
	<u>-</u>	<u>166,647,447</u>



		<u>2009</u>	<u>2008</u>
		<u>RUPEES</u>	<u>RUPEES</u>
19	<u>COST OF SALES</u>		
	Raw Material Consumed	19.1	-
	Wages, Salaries and Benefits		103,099,374
	Fuel and Power		10,620,049
	Stores, Spares and Packing Material Consumed	19.2	22,078,918
	Repairs and Maintenance		9,120,557
	Insurance		632,781
	Factory Expenses		739,878
	Depreciation	12.1	616,134
			7,764,154
			154,671,845
	Add: Opening Work in Process		4,699,070
	Less: Closing Work in Process		-
			4,699,070
	<u>Cost of Goods Manufactured</u>		159,370,915
	Add: Opening Stocks:		
	- Finished Goods		16,500,939
	- Cotton Waste		370,041
			16,870,980
	Less: Closing Stocks		
	- Finished Goods		-
	- Cotton Waste		-
			-
			16,870,980
	Cost of sales		176,241,895
	19.1	<u>Raw Material Consumed</u>	
		Opening Stock	23,366,112
		Purchases	80,096,970
			103,463,082
	Less: Sale (Polyester)		(363,708)
		Closing Stock	-
		Raw material consumed	103,099,374
	19.2	<u>Stores, Spares and Packing Material Consumed</u>	
		- Stores	1,434,305
		- Spares	5,178,757
		- Packing Material	2,507,495
			9,120,557



		2009	2008
		<u>RUPEES</u>	<u>RUPEES</u>
20 ADMINISTRATIVE EXPENSES			
Directors' Remuneration		1,800,000	1,800,000
Salaries, Wages & Benefits		7,444,193	5,808,009
Directors meeting fee		2,000	5,000
Traveling & conveyance		41,166	63,605
Entertainment		10,864	62,169
Motor Vehicle running and maintenance		49,939	478,101
Printing & Stationery		97,684	104,462
Auditor's Remuneration	20.1	125,000	268,120
Postage, Telephone and Telegram		532,328	430,077
Electricity and Sui gas		1,532,160	290,352
Legal & Professional Charges		97,400	321,660
Repair & Maintenance		279,007	71,549
General Expenses		105,283	142,798
Insurance		247,025	-
Fees & Subscription		71,050	86,418
Commission to selling agent		-	1,047,359
Advertisement		90,800	38,506
Depreciation	12.1	8,393,818	715,859
		<u>20,919,717</u>	<u>11,734,044</u>
20.1 Auditor's Remuneration			
Audit Fee		125,000	250,000
Out of pocket expenses		-	18,120
		<u>125,000</u>	<u>268,120</u>
21 OTHER INCOME			
Sale of Scrap		-	329,745
Gain on Disposal of Fixed Asset		1,125,594	128,249
		<u>1,125,594</u>	<u>457,994</u>
22 FINANCE COST			
Mark-up on Short Term Borrowings		219,132	4,799,205
Mark-up on long term loans		9,195,042	8,467,396
Finance Lease charges		106,896	323,845
Interest on Workers Participation Fund		586,211	535,353
Bank Charges		7,077	270,637
		<u>10,114,358</u>	<u>14,396,436</u>



		<u>2009</u> <u>RUPEES</u>	<u>2008</u> <u>RUPEES</u>
23 TAXATION			
Current year	23.1	-	834,886
Deferred	23.2	2,184,751	2,316,760
		<u>2,184,751</u>	<u>3,151,646</u>

23.1 Provision for minimum tax U/S 113 has been made to cover liability under Income Tax Ordinance 2001.

23.2 This represents reversal of taxable temporary differences relating to revaluation surplus charged to profit and loss account and during the current year there is deferred tax asset that should not be accounted for, because management consider that there will not be surety the future tax profits will be available for realization of such assets and the future income should not be enough to cover the future deferred tax assets (deductible temporary differences).

24 BASIC EARNINGS PER SHARE

(Loss) after taxation (Rupees)		(32,093,232)	(38,418,580)
Number of ordinary shares outstanding during the year		9,801,000	9,801,000
Earning per share (Rupees)	24.1	(3.27)	(3.92)

24.1 There is no dilutive effect on basic earning per share of Company.

25 TRANSACTION WITH RELATED PARTIES

During the year, the company received advances (net) amounting to Rs. 81,521,909 (2008: Rs.33,893,880) from its associated undertakings. Payments against long term loans and short term borrowings were made by taking advances from its associated undertakings.

25.1 Maximum aggregate amount due to associated undertakings at the end of any month during the year was Rs.313.253 Million (2008: Rs.232.568 Million)

No sale or purchase was made to / from associated undertakings during the year or the preceding year.

26 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company's exposure to interest rate risk and effective rates on its financial assets and liabilities are summarised as follows.

	Interest / Mark-up Bearing		Non Interest / Mark-up Bearing		Total	
	Maturity within one year Rupees	Maturity more than one year but less than 5 years Rupees	Maturity within one year Rupees	Maturity more than one year but less than 5 years Rupees	2009 Rupees	2008 Rupees
Financial Assets						
Long Term Deposits	-	-	-	-	-	323,444
Trade Debts	-	-	44,343	-	44,343	44,343
Advances, Deposits, Prepayments and Other Receivables	-	-	265,925,865	-	265,925,865	266,920,021
Cash and bank balances	-	-	82,364	-	82,364	765,159
	-	-	266,052,572	-	266,052,572	268,052,967
Financial Liabilities						
Long Term Loans	41,658,327	3,231,895	-	-	44,890,222	55,905,066
Liabilities against Assets Subject to Finance Lease	-	-	-	-	-	2,079,926
Mark - up Payable	-	-	8,076,283	-	8,076,283	5,357,884
Short Term Borrowings	-	-	-	-	-	48,834,034
Trade and Others Payable	6,756,858	-	366,232,913	-	372,989,771	293,197,697
	48,415,185	3,231,895	374,309,196	-	425,956,276	405,374,607

Effective interest rates for the monetary financial liabilities are mentioned in the respective notes to the financial statements.

Interest Rate Risk

Interest rate risk is the risk that the values of financial instruments will fluctuate due to changes in market interest rates on long term as well as short term debt obligations with a floating interest rate. The company usually manages such fluctuations through risk management strategies. Since, the company borrows funds usually at fixed interest rates, therefore, the risk occurrence is minimal.

Foreign Exchange Risk Management

Foreign currency risk is the risk that value of financial instruments will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises mainly due to transactions with foreign undertakings. Payables exposed to foreign currency risks are covered mainly through exchange risk cover.

Credit Risk

The company deals mostly with regular and permanent customers, who pay the instruments on due dates. Company considers the credit risk as minimal.

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The company believes that it is not exposed to any significant level of liquidity risk.

Fair Value of Financial Assets and Liabilities

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



27 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration to the Chief Executive Officer, Directors and Executives is as follows:

	2009			2008		
	CHIEF EXECUTIVE OFFICER	DIRECTORS	EXECUTIVES	CHIEF EXECUTIVE OFFICER	DIRECTORS	EXECUTIVES
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
- Managerial Remuneration	-	1,200,000	587,826	-	1,200,000	1,632,857
- House Rent	-	480,000	235,123	-	480,000	691,688
- Utilities	-	120,000	58,785	-	120,000	124,731
	-	1,800,000	881,734	-	1,800,000	2,449,276

- Number of Persons

	1	1	2	1	1	2
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- The Directors have been provided with Company-maintained Cars.
- The aggregate amount charged for the year for fee to Director for meeting was Rs.2,000 (2008: Rs 5,000).
- No remuneration has been paid during the year to the Chief Executive Officer and Chief Financial Officer.

28 NUMBER OF EMPLOYEES

- Total number of employees at year end.

	2009 RUPEES	2008 RUPEES
	26	35

29 PLANT CAPACITY AND ACTUAL PRODUCTION

- Plant Capacity :		
- Number of spindles installed	17,280	17,280
- Installed Capacity at 20/s Count based on 360 Days (Kgs.)	5,290,708	5,290,708
- Number of spindles operated during the year	Nil	17,280
- Number of days worked during the year	Nil	152
- Total number of shifts worked during the year	Nil	456
- Weight of yarn counts actually produced during the year (Kgs.)	Nil	1,127,292
- Production based on spindles operated assuming production of 20/s Count only :		
- Cotton and P.C. yarn (Kgs.) :		
- Coarse (1 to 20)	-	39,621
- Medium (21 to 34)	-	1,496,460
- Fine (36 to 47)	-	809,110
	-	2,345,191

30 DATE OF AUTHORISATION

These financial statements were authorized for issue on September 30, 2009 by the Board of Directors of the Company.

CHIEF EXECUTIVE OFFICER

DIRECTOR



FINANCIAL HIGHLIGHTS

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>(Nine Months)</u>	
					<u>2005</u>	<u>2004</u>
OPERATING RESULTS						
	<i>(Rupees in thousands)</i>					
Sales	-	166,647	484,041	459,802	343,454	535,994
Gross Profit / (Loss)	-	(9,594)	(18,512)	1,584	16,544	(5,901)
Pretax Profit / (Loss)	(29,908)	(35,267)	(61,693)	(35,681)	(7,901)	(35,146)
After Tax Profit / (Loss)	(32,093)	(38,419)	(67,367)	(38,938)	(12,188)	(11,488)
FINANCIAL POSITION						
Current Assets	277,459	279,229	329,599	362,646	369,498	371,935
Current Liabilities	382,849	349,094	371,838	346,901	316,437	361,641
Property, Plant and Equipment	132,789	136,309	172,378	185,763	200,892	213,825
Assets Subject to Finance Lease	-	5,444	5,681	6,312	-	-
Total Assets	410,247	421,305	508,216	555,279	570,625	587,191
Long Term Liabilities	62,989	77,768	99,206	106,906	114,732	76,471
Shareholders' Equity	(35,466)	(5,557)	37,172	101,472	139,456	149,079
RATIOS						
Current Ratio	0.73 : 1	0.80 : 1	0.89 : 1	1.05 : 1	1.17 : 1	1.03 : 1
Debt to Equity Ratio	0.26 : 1	108 : (8)	73 : 27	51 : 49	45 : 55	34 : 66
Gross Profit / (Loss) to Sales	%	(5.76)	(3.82)	0.34	4.82	(1.10)
Net Loss to Sales	%	(21.16)	(13.92)	(8.47)	(3.55)	(2.14)
Break-up Value Per Share	(Rs.)	(3.62)	(0.57)	3.79	10.35	15.21
Earnings Per Share	(Rs.)	(3.27)	(3.92)	(6.87)	(3.97)	(1.17)



PROXY FORM

Please quote

Folio No.	Shares Held

I / We

Of

being a member (s) of BORTHERS TEXTILES MILLS LIMITED hereby appoint

Mr. / Ms.

(NAME)

of

Or failing him / her.....

(NAME)

of

Who is also a member of the Company vide Registered Folio No..... as my / our proxy to attend, act and vote for me / us and on my / our behalf at the 23rd Annual General Meeting of the Company to be held at its head office at 135-Upper Mall, Lahore at 11.30 a.m. on Saturday, October 31, 2009 and at every adjournment thereof.

As witness my hands this day of 2009

Witness's Signature

Signature on Revenue Stamp

SIGNATURE OF MEMBER (S)

NOTES:

1. A member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of him / her. No person shall act as proxy (except for a corporation) unless he is entitled to be present and vote in his own right.
2. The instrument appointing a proxy should be signed by the member or by his attorney, duly authorised in writing. If the member is a Corporation, its common seal (if any) should be affixed to the instrument.
3. Proxies, in order to be effective, must be received at the Company's Head Office at 135 - Upper Mall, Lahore, not less than 48 (forty eight) hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

