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Annual Report 2009

GLAMOUR TEXTILE
MILLS LIMITED

Contents

Company Information

Chairman & Chief Executive
Mr. Azher Elahi

Directors
Mr. Asad Elahi
Mr. Ather J. Elahi
Mr. Mansoor Elahi
Mrs. Naureen Asad
Mrs. Shafqat Azher
Mrs. Mehnaz Ather Elahi

Audit Committee
Mr. Asad Elahi (Chairman)
Mr. Ather J. Elahi (Member)
Sheikh Rasheed Ahmed (Member)
Mr. Saeed Ahmed Zaidi (Secretary)

Chief Financial Officer &
Company Secretary
Mr. Ishfaq Saeed

Manager Internal Audit
Mr. Bilal Ahmed

Auditors:
Mushtaq & Co.
Chartered Accountants

Bankers:
Soneri Bank Ltd.
Standard Chartered Bank Ltd.

Share Registrars:
Corplink (Pvt) Ltd.
Wings Arcade, 1-K, Commercial
Model Town, Lahore.
Ph: 042-583 9182, 588 7262
Fax: 042 - 586 9037

Registered Office/Mills
11-KM, Manga-Raiwind Road,
Tehsil & District Kasur.
Tel: (042) 539 2794-5
Fax: (042) 5391566
E-mail: gtml@nexlinx.net.pk
URL: www.glamourtextile.com

Notice of 18th Annual General Meeting

The 18th Annual General Meeting of the members of **GLAMOUR TEXTILE MILLS LIMITED** will be held at 11 A.M. on Saturday, October 31st 2009 at the Registered Office of the Company located at 11 Kilometers, Manga Raiwind Road, Raiwind., to transact the following business:-

Ordinary Business

1. To receive and confirm minutes of the last Extraordinary General Meeting held on October 31, 2008
2. To receive, consider and approve the annual accounts of the Company for the year ended June 30, 2009 together with Directors' & Auditors' Reports thereon.
3. To Appoint Auditors for the year 2009-2010 and fix their remuneration. The retiring auditors, Messer Mushtaq & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.
4. Any other matter with the permission of the Chair.

By order of the Board

Lahore,
October 8, 2009

ISHFAQ SAEED
Company Secretary

NOTES:

1. The Share Transfer Book of the Company will remain closed from October 21st 2009 to October 28th 2009 (both days inclusive) for the purpose of updating of Members Register.
2. A member entitled to vote may appoint another member as his/her proxy. Proxies, in order to effective, must be received at the Company's Registered Office 48 hours before the time of meeting.
3. Shareholders are requested to promptly notify of the any change in their address to the Company's shares Registrar M/s Corplink (Pvt) Limited, Wing Arcade, 1-K Commercial, Model Town, Lahore.
4. To facilitate identification, for right to attend the Annual general meeting, shareholders whose holdings are on the central Depository System (CDS) or his/her proxy should be authenticate his/her identity by showing his/her National Identity Card (NIC) at the time of attending the meeting, along with the participants Number and Shareholders account numbers allocated by the Central Depository Company.
5. In case of corporate entity, the Board of Directors, Resolution/Power of Attorney with Specimen signature of the nominee shall be produced at the time of the meeting."

MISSION

The mission statement of Glamour Textile Mills Limited is:

"Quality with consistency through excellence in application of requisite techniques and optimized utilization of available resources for the maximization of prof its."

STATEMENT OF ETHICS

We believe in a completely harmonized code of ethics for the Directors, Executives and Staff, in all fairness in business practices through perseverance in honesty, dedication and diligence.

Our endeavor is to groom all the personnel towards excellence with underlying philosophy for the betterment of all, whether employed or dealing with the Company.

Directors' Report

On behalf of the board of directors, I take pleasure to present Annual Report along with the Audited Accounts of the company pertaining to the financial year ending on June 30, 2009.

Financial highlights

The Company has suffered a loss after tax of Rs.23.433 million during the current year against the loss of Rs.21.268 million in the preceding year.

The financial results are summarized hereunder:

	2009 Rupees	2008 Rupees
Sales	868,203,079	733,132,674
Gross Profit	52,305,783	43,474,377
Operating Profit/(loss)	35,059,362	25,337,337
Financial Expenses	(58,073,486)	(42,940,452)
Provision for taxation	(419,161)	(3,665,663)
Loss after taxation	(23,433,285)	(21,268,778)
Earning per share	(2.01)	(1.83)

The year under review is characterized by high mark up rates, energy crisis, short cotton crop and worst law and order situation of the country. However financial results of your company showed gross profit at Rs.52.305 millions from Rs.43.474 millions showing a reasonable 20.13% growth from the last year. This is made possible by improving production efficiencies and controlling of expenses. The sales increase to Rs.868.203 million from Rs.733.133 million showing improvement of 18.42 %.

The cotton consumption rate charged at Rs.3,351 per maund in current year as compared to Rs.3,044 per maund charged in last year showing increase of 10.08%.

Despite healthy increase in gross profit the net margin remained in loss region mainly due to higher finance cost which is inflated by 35.24% in current year as compared to last year.

The future outlook appears to be uncertain due to short fall of cotton crop, continued energy crisis, rising trend of mark up rates and depressed prices of yarn in international market.

Compliance with the Code of Corporate Governance

The Board of Directors has taken necessary steps to comply with the provisions of code of corporate governance as incorporated in the listing regulations of stock exchanges. Statement of the compliance with the code of corporate governance is annexed.

Statement on Corporate & Financial Reporting Framework

The Company complies with the Code in the following manner.

a. The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and change in equity.

b. Proper books of account of the Company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.

d. International Accounting Standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure if any there from has been adequately disclosed.

e. The system of internal control is sound in design and has been effectively implemented and monitored.

f. There are no significant doubts upon the Company's ability to continue as a going concern.

g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h. We have prepared and circulated a statement of ethics and business strategy among directors and employees.

i. The board of directors has adopted a mission statement and a statement of overall corporate strategy.

j. During the year under review four meetings of the Board of Directors were held and attendance positions is hereunder:

Name of Director	Number of Meetings attended
Mr. Azher Elahi	4
Mr. Asad Elahi	I
Mr. Ather J. Elahi	4
Mr. Mansoor Elahi	4
Mrs. Naureen Asad	I
Mrs. Shafqat Azher	4
Mrs. Mehnaz Ather Elahi	4

Leave of absence was granted to Directors who could not attend some of the Board meetings.

k. During 2008-2009, there was no reported trading during the year in the shares of the Company by its Directors, CEO, CFO, Company Secretary, and their spouses and minor children.

Audit committee

The Board of Directors in compliance of the code of corporate governance has established Audit Committee. The names of its members are given in the Company profile.

The terms of reference of the Audit Committee is based on the scope as defined by the Securities and Exchange Commission of Pakistan (SECP) and the guidelines given by the Board of Directors form time to time to improve the system and procedures.

With in the framework of terms of reference determined by the Board of Directors, the Audit Committee, among other things, will appointment of external auditors and review of periodic accounts.

Auditors

The present auditors Messrs Mushtaq & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

Pattern of shareholding

The pattern of shareholding as required by Section 236 of the Companies Ordinance 1984 and under Code of Corporate Governance is enclosed.

Key operating and financial data

Key operating and financial data for the preceding six years is annexed.

Dividend

Considering current year and accumulated losses, no dividend is recommended for the year ended June 30, 2009.

Statutory payments

There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2009 except for those disclosed in the financial statements.

Corporate restructuring and business expansion

Company has currently no plans for corporate restructuring, business expansion and discontinuance of operations.

Acknowledgement
The Directors of the Company wish to thanks its bankers for their continued support and wish to place on record their appreciation towards the employees for their dedicated services and hard work without which all this would have not been possible.

For & on behalf of the Board

Lahore,
October 08, 2009

AZHER ELAHI,
Chief Executive

Key Operating and Financial Data From 2003-04 to 2008-09 (Six Years)

	YEARS ENDED JUNE 30,				NINE MONTH ENDED JUNE	YEAR ENDED SEPT. 30
	2009	**2008**	**2007**	**2006**	**2005**	**2004**
Sales						
Local (net of sales tax)	812,313,773	665,490,945	382,003,474	401,236,430	278,432,179	530,195,378
Export	55,889,306	67,641,729	384,594,310	312,381,676	131,677,718	56,611,645
Net Sale	**868,203,079**	**733,132,674**	**766,597,784**	**713,618,106**	**410,109,897**	**586,807,023**
Profitability						
Gross Profit/(Loss)	52,305,783	43,474,377	16,592,852	32,266,029	27,649,670	(63,175,852)
Profit/(Loss) before tax	(23,014,124)	(17,603,115)	(45,184,768)	(24,605,420)	120,627,228	(94,511,711)
Provision for income tax	(419,161)	3,665,663	5,718,795	4,713,090	2,117,166	2,647,684
Profit/(Loss) after tax	**(23,433,285)**	**(21,268,778)**	**(50,903,563)**	**(29,318,510)**	**118,510,062**	**(97,159,395)**
Financial Position						
Tangible fixed fixed assets-net	540,820,601	568,031,688	531,012,541	519,673,065	482,458,062	489,545,058
Investment & Other assets	2,734,699	2,734,699	2,734,699	2,738,699	2,459,699	2,708,849
Total Assets	**543,555,300**	**570,766,387**	**533,747,240**	**522,411,764**	**484,917,761**	**492,253,907**
Current assets	247,769,584	313,341,170	215,058,209	187,540,299	234,954,300	101,821,234
Current liabilities	(300,945,644)	391,352,322	306,031,939	183,023,735	240,331,618	199,673,296
Net working capital	**(53,176,080)**	**(78,012,152)**	**(90,973,730)**	**4,516,564**	**(5,377,318)**	**(97,852,062)**
Capital employed	490,379,220	492,754,235	442,773,510	526,928,328	479,540,443	394,401,845
Less long term loan & Deferred liabilities	303,796,488	282,758,420	266,946,945	300,198,200	223,491,805	249,439,742
Share holders Equity	**186,582,732**	**209,995,815**	**175,826,565**	**226,730,128**	**256,048,638**	**144,962,103**
Represented By:						
Share capital	116,400,000	116,400,000	116,400,000	116,400,000	116,400,000	116,400,000
Reserves & un-appropriated Profit/(Loss)	70,182,732	93,595,815	59,426,565	110,330,128	139,648,638	28,562,103
	186,582,732	**209,995,815**	**175,826,565**	**226,730,128**	**256,048,638**	**144,962,103**
Ratios:						
Gross Profit/(Loss) to sales (**%age**)	6.02	5.93	2.16	4.52	6.74	(10.77)
Net Profit/(Loss) from ordinary activeties to sales (**%age**)	(2.70)	(2.90)	(6.64)	(4.11)	28.90	(16.56)
Debt equity ratio	62:38	57:43	60:40	57:43	47:53	63:37
Current ratio	0.82:1	0.80:1	0.70:1	1.02:1	0.98:1	0.51:1
Breakup value per share of Rs. 10 each	16.03	18.04	15.11	19.47	22.00	12.45
Earning Per Share Rs.	(2.01)	(1.83)	(4.37)	(2.52)	10.18	(8.35)
Quantitative Data						
Yarn						
Production (cont.into 20's)	6,633,236 kgs	6,595,154 kgs	6,682,722 kgs	6,281,801 kgs	4,211,338 kgs	5,093,758 kgs
Spindles installed	19,344	19,344	19,344	19,344	17,280	19,200

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi, Lahore & Islamabad stock exchanges for the purpose of establishing a framework of good 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. Therefore, the Board of Directors has always supported implementation of highest standards of corporate governance.

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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.

4. No casual vacancies arose in Board during the year June 30, 2009.

5. The Company has prepared a 'Statement of Ethics and Business practices' which has been signed by all the directors and employees of the company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company.

7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and condition of employment of CEO and other non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over the Chairman & Chief Executive and in his absence, by a director elected for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. No specific orientation course was held during the year. However management continues to apprise and familiarize with changes in law to discharge their duties and responsibilities.

10. During the year under review there was no change of CFO, Company Secretary and Head of Internal Auditor. They execute their responsibilities pursuant to the approved appointment by the Board including their remuneration and condition of employment, as determined by the CEO.

11. 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.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before the approval of the Board.

13. 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.

14. Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises four members including two non-executive directors including chairman of the committee.

16. The meetings of the audit committee were held at least once in every quarter prior to 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.

17. The Board has set up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program 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 the code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been substantially complied with.

By order of the Board

For GLAMOUR TEXTILE MILLS LTD.

AZHER ELAHI
Chairman & Chief Executive

Lahore, October 08, 2009

Review Report to the Members on the Statement of Compliance with Best Practices of the 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 **Glamour Textile Mills Limited** to comply with the Listing Regulation No. 35 (previously Regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of Lahore Stock Exchange (Guarantee) Limited 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 it 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 system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control systems 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.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2009.

KARACHI:
Dated: October 08, 2009

MUSHTAQ & CO.
Chartered Accountants

Engagement Partner:
Shahabuddin A. Siddiqui

Auditors' Report to the Members

We have audited the annexed balance sheet of **Glamour 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 the 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 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 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, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and

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

KARACHI:
Dated; October 08, 2009

MUSHTAQ & CO.
Chartered Accountants

Engagement Partner:
Shahabuddin A. Siddiqui

Balance Sheet

As at June 30, 2009

	Notes	2009 Rupees	2008 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	**540,820,601**	568,031,688
Long term deposits	6	**2,734,699**	2,734,699
		543,555,300	570,766,387
CURRENT ASSETS			
Stores, spare parts and loose tools	7	**13,250,892**	13,849,349
Stock in trade	8	**111,415,134**	175,988,400
Trade debts	9	**100,369,063**	100,254,491
Loans and advances	10	**12,695,281**	7,620,867
Trade deposits and short term prepayments	11	**115,685**	291,811
Other receivables	12	**-**	2,108,615
Tax refunds due from Government	13	**8,242,661**	11,109,901
Cash and bank balances	14	**1,680,848**	2,117,736
		247,769,864	313,341,170
TOTAL ASSETS		**791,724,864**	884,107,557
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized			
15,000,000 ordinary shares of Rs. 10 each.		**150,000,000**	150,000,000
Issued, subscribed and paid up			
11,640,000 ordinary shares of Rs. 10 each fully paid in cash	15	**116,400,000**	116,400,000
Accumulated loss		**(203,808,226)**	(190,053,296)
Total Equity		**(87,408,226)**	(73,653,296)
Surplus on revaluation of property, plant and equipment	16	**273,990,958**	283,649,111
LIABILITIES			
NON - CURRENT LIABILITIES			
Long term financing	17	**299,802,100**	279,802,100
DEFERRED LIABILITIES			
Staff retirement benefits - gratuity	18	**3,994,388**	2,956,320
CURRENT LIABILITIES			
Trade and other payables	19	**21,844,529**	16,308,614
Accrued interest / mark up	20	**13,304,163**	12,153,004
Short term borrowings	21	**265,796,952**	325,893,041
Current portion of long term financing	17	**-**	33,333,000
Provision for taxation		**-**	3,665,663
		300,945,644	391,353,322
CONTINGENCIES AND COMMITMENTS	**22**	-	-
TOTAL EQUITY AND LIABILITIES		**791,324,864**	**884,107,557**

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

AZHER ELAHI
CHIEF EXECUTIVE

ATHER J. ELAHI
DIRECTOR

Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2009

	Notes	**2009 Rupees**	2008 Rupees
Sales	23	868,203,079	733,132,674
Cost of sales	24	(815,897,296)	(689,658,297)
Gross profit		52,305,783	43,474,377
Other operating income	25	569,651	1,337,778
Distribution cost	26	(9,395,368)	(8,494,234)
Administrative expenses	27	(8,187,207)	(8,209,927)
Other operating expenses	28	(233,497)	(2,770,657)
Finance cost	29	(58,073,486)	(42,940,452)
Loss before taxation		(23,014,124)	(17,603,115)
Taxation	30	(419,161)	(3,665,663)
Loss for the year		(23,433,285)	(21,268,778)
Earnings per share - basic and diluted	31	(2.01)	(1.83)

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

AZHER ELAHI
CHIEF EXECUTIVE

ATHER J. ELAHI
DIRECTOR

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
A) CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(23,014,124)**	(17,603,115)
Adjustments for :			
Depreciation		**37,584,686**	39,450,656
Staff retirement benefit - gratuity		**1,965,568**	3,994,474
Profit on disposal of fixed assets		**(552,906)**	(3,452)
Loss on disposal of fixed assets		**-**	2,739
Credit balances added back		**(16,745)**	(1,334,326)
Debit balances written off		**466,994**	2,767,918
Finance cost		**58,073,486**	42,940,452
		97,521,083	87,818,461
Profit before working capital changes		**74,506,959**	70,215,346
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**598,457**	(5,543,108)
Stock in trade		**64,473,266**	(79,629,968)
Trade debts		**(581,565)**	(22,425,837)
Loans and advances		**(5,074,414)**	1,565,374
Trade deposits and short term prepayments		**176,126**	16,506
Other receivables		**2,108,615**	656,250
Tax refunds due from Governement		**155,551**	832,508
		61,956,036	(104,528,275)
Increase / (decrease) in current liabilities			
Trade and other payables		**5,552,660**	(6,304,420)
Cash used in operations		**142,015,655**	(40,617,349)
Finance cost paid		**(56,922,327)**	(39,320,037)
Gratuity paid		**(927,500)**	(2,850,000)
Taxes paid		**(1,373,135)**	(2,872,258)
		(59,222,962)	(45,042,295)
Net cash generated from / (used in) operating activities		**82,792,693**	(85,659,644)
B) CASH FLOWS FROM INVESTING ACTIVITIES			
Sale proceeds of fixed assets		**1,230,000**	226,000
Property, plant and equipment		**(6,503,411)**	(8,936,668)
Capital work in progress		**(4,527,081)**	(12,320,392)
Net cash used in investing activities		**(9,800,492)**	(21,031,060)
C) CASH FLOWS FROM FINANCING ACTIVITIES			
Loan received from associated undertaking		**20,000,000**	20,000,000
Long term loan repaid during the period		**(33,333,000)**	(33,332,000)
Net cash used in financing activities		**(13,333,000)**	(13,332,000)
Net decrease in cash and cash equivalents	(A+B+C)	**59,659,201**	(120,022,704)
Cash and cash equivalents at the beginning of the year		**(323,775,305)**	(203,752,601)
Cash and cash equivalents at the end of the year		**(264,116,104)**	(323,775,305)
Cash and cash equivalents			
Cash and bank balances	14	**1,680,848**	2,117,736
Short term borrowings	21	**(265,796,952)**	(325,893,041)
		(264,116,104)	(323,775,305)

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

AZHER ELAHI
CHIEF EXECUTIVE

ATHER J. ELAHI
DIRECTOR

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2009

	Share Capital	Accumulated Loss	Total
Balance as at July 01, 2007	116,400,000	(179,133,320)	(62,733,320)
Net loss for the period	-	(21,268,778)	(21,268,778)
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	-	10,348,802	10,348,802
Balance as at June 30, 2008	**116,400,000**	**(190,053,296)**	**(73,653,296)**
Balance as at July 01, 2008	116,400,000	(190,053,296)	(73,653,296)
Net loss for the year	-	(23,433,285)	(23,433,285)
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	-	9,678,355	9,678,355
Balance as at June 30, 2009	**116,400,000**	**(203,808,226)**	**(87,408,226)**

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

AZHER ELAHI
CHIEF EXECUTIVE

ATHER J. ELAHI
DIRECTOR

Notes to the financial Statements

FOR THE YEAR ENDED JUNE 30, 2009

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 The company is limited by shares, incorporated in Pakistan on September 14, 1991 and is quoted on stock exchanges at Karachi, Islamabad and Lahore. The registered office of the company is situated at 11 K.M., Manga Raiwind Road, District Kasur in the province of Punjab, Pakistan.

1.2 The principal business of the company is manufacture and sale of yarn. The manufacturing unit is also located at Manga Raiwind Road in the province of Punjab.

2 BASIS OF PREPARATION

2.1 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 Standard 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.

2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the company's functional and presentation currency and figures are rounded to the nearest rupee.

2.3 Standards, interpretations and amendments to published approved accounting standards

2.3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

¤ IFRS - 7 Financial Instruments : Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS - 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosures requirements of IAS - 32 Financial Instruments : Disclosure and Presentation. The application of the standard did not have significant impact on the company's financial statements other than increase in disclosures.

¤ IAS - 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The company does not have any operations in hyperinflationary economies and therefore the application of the standard did not affect the company's financial statements.

¤ IFRIC - 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operates or otherwise participate in customer loyalty programmes under which the customer can redeem credit for award such as free or discounted goods or services. The application of IFRIC - 13 did not affect the company's financial statements.

¤ IFRIC - 14, IAS - 19 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 01 January 2008). IFRIC - 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The interpretation has no effect on company's financial statements.

2.3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, interpretations and amendments of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than increased disclosures in certain cases.

¤ Revised IAS - 1 Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

¤ Revised IAS - 23 Borrowing Costs (effective for annual periods beginning on or after 01 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that asset. The application of the standard is not likely to have an effect on the company's financial statements.

¤ Amended IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transactions. When the group loses controls of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the company's financial statements.

¤ IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost methods from IAS - 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on company's financial statements.

¤ Amendments to IAS - 32 Financial Instruments : Presentation and IAS - 1 Presentation of Financial Statements (effective for annual period beginning on after 01 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidations requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which requires retrospective application, or not expected to have any impact on the company's financial statements.

¤ Amendment to IAS - 39 Financial Instruments : Recognition and Measurement - Eligible hedged items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the company's financial statements.

¤ Amendments to IAS - 39 and IFRIC - 9 Embedded derivatives (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on company's financial statements.

- Amendment to IFRS - 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the company's financial statements.

- Amendment to IFRS - 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 01 January 2010). Currently effective IFRS requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transactions to account for the transaction in its separate or individual financial statements.

- Revised IFRS - 3 Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the company's financial statements.

- IFRS - 4 Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the company's operations.

- Amendment to IFRS - 7 Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). These amendments have been made to bring the disclosure requirements of IFRS - 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.
- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the company's 2010 financial statements. These amendments are unlikely to have an impact on the company's financial statements.

- The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the company's 2010 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.

- IFRS - 8 Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the "management approach" to segment reporting. IFRS - 8 will require a change in the presentation and disclosure of segment information based on the internal reports that a regularly reviewed by the company's "chief operating decision maker" in order to asses each segment's performance and to allocate resources to them.

- IFRIC - 15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The IFRIC is not relevant to the company's operations.

¤ IFRIC - 16 Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The IFRIC is not relevant to company's operations

¤ IFRIC - 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the company's financial statements.

¤ IFRIC - 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the company's operations.

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment at revalued amounts, revaluation of certain financial instruments at fair value and recognition of certain staff retirement benefits at present value. The company has accumulated loss of Rs. 203.809 million (June 30, 2008 : Rs. 190.053 million) as at June 30, 2009 against the issued, subscribed and paid up capital of Rs. 116.400 million (June 30, 2008 : Rs. 116.400 million) turning shareholders' equity to a negative balance of Rs. 87.409 million (June 30, 2008 : Rs. 73.653 million). The current liabilities exceeds the current assets by Rs. 53.177 million (June 30, 2008 : Rs. 78.012 million). However the company has never defaulted any payments of its loans since 2006 and keeping in view of this fact along with continuous financial support from directors and associates, future financial improvement plans, upcoming economic conditions in textile industry and more importantly, the strong asset base to secure the liabilities, these financial statements have been prepared on going concern basis.

The company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. 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. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows.

3.1 Provision for taxation

The company takes into account the current income tax law and decisions taken by the appellate authorities. Instances where the company's' view differs from the view taken by the income tax department at the assessment stage and where the company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.2 Staff retirement benefits - gratuity

Certain actuarial assumptions have been adopted as disclosed in relevant note to the financial statements for valuation of present value of defined benefit obligation. Any changes in these assumptions in future year might affect unrecognized gains and losses in those years.

3.3 Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on market conditions existing at balance sheet date.

3.4 Property, plant and equipment

The company reviews recoverable amount, useful life , residual value and possible impairment on an annual basis. Any changes, if material in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

3.5 Other areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows.

3.5.1 Provision for doubtful debts

3.5.2 Estimation of net realizable value

3.5.3 Disclosure of contingencies

3.5.4 Computation of deferred taxation

4 SIGNIFICANT ACCOUNTING POLICIES

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.

4.1 Property, plant and equipment - owned

Recognition

Property, plant and equipment except for freehold land are stated at cost / revalued amount less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss. Cost of tangible assets consists of historical cost pertaining to erection / construction period and other directly attributable cost of bringing the asset to working condition.

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

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent that it reverses deficit on revaluation of the same assets previously recognized in profit or loss, in which case the surplus is credited to profit or loss to the extent of deficit previously charged to income. Deficit on revaluation of an item of property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any held in surplus on revaluation of property, plant and equipment relating to previous revaluation of that item. On subsequent sale or retirement of revalued item of property, plant and equipment the attributable surplus remaining in the surplus on revaluation of property, plant and equipment is transferred directly to unappropriated profit. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

Depreciation

Depreciation on all items of property, plant and equipment except for freehold land is charged to income applying the reducing balance method so as to write off historical cost of an asset over its estimated useful life at the rates as disclosed in relevant note.

Depreciation on additions is charged from the month in which the asset become available for uses while no depreciation is charged in the month of disposal.

Derecognition

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income statement in the year the assets is derecognized.

4.2 Accounting for leases and assets subject to finance lease

4.2.1 Finance lease

Recognition

Leases where the company has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are initially recognized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss. The related rental obligations, net off finance cost, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non current depending upon the timing of payments.

Financial charges

Lease payments are allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to income over the lease term.

Depreciation

Assets acquired under a finance lease are depreciated in the same manner and at the same rates used for similar owned assets, so as to depreciate these assets over their estimated useful lives in view of certainty of ownership of these assets at the end of lease term. Depreciation of the leased assets is charged to income.

Deferred income

Income arising from sale and lease back transaction, if any, which results in finance lease, is deferred and amortized equally over the lease period.

4.2.2 Operating lease

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income on a straight-line basis over the period of lease.

4.3 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss. Transfers are made to relevant fixed assets category as and when assets are available for use.

4.4 Long term deposits

These are stated at cost which represents the fair value of consideration given.

4.5 Stores, spare parts and loose tools

These are valued at lower of cost and net realizable value. Cost is determined by moving average method. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

4.6 Stock in trade

These are valued at lower of cost and net realizable value except waste which is valued at net realizable value. Cost is determined as follows.

4.6.1 Raw material

In hand	Weighted average cost
In transit	Cost comprising invoice value plus other charges incurred thereon

4.6.2 Finished goods and work in process	Raw material cost plus appropriate manufacturing overheads
4.6.3 Waste	Net realizable value

Net realizable value signifies the estimated selling prices in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sales.

4.7 Trade debts and other receivables

Trade debts originated by the company are recognized and carried at original invoice value less any allowance for uncollectible amounts. An estimated provision for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. The amount of provision is charged to income. Bad debts are written off as incurred. Other receivables are stated at amortized cost. Known impaired receivables are written off, while receivables considered doubtful are provided for.

4.8 Cash and cash equivalents

Cash in hand, cash at bank and short term deposits, which are held to maturity, are carried at cost. For the purpose of cash flow statements, cash and cash equivalent comprise cash in hand, with banks on current & saving accounts and short term borrowings.

4.9 Staff retirement benefits

Defined benefit plan

The company operates an unfunded gratuity scheme covering for all its permanent employees who have attained the minimum qualifying period for entitlement to the gratuity.

Provision is made annually to cover the obligation on the basis of actuarial valuation and charged to income currently. The most recent actuarial valuation was carried on June 30, 2009 using the Projected Unit Credit Method.

Net cumulative unrecognized actuarial gains / losses relating to previous reporting periods in excess of the higher of 10 percent of present value of defined benefit obligation or 10 percent of the fair value of plan assets are recognized as income or expense over the estimated remaining working lives of the employees.

4.10 Taxation

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

4.10.1 Current

Provision for current taxation is based on taxability of certain income streams of the company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credit and tax rebates available, if any. The charge for current tax includes any adjustment to past years liabilities.

4.10.2 Deferred

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits to the extent that it is probable that future taxable profits will be available against which deferred tax asset can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability that, at the time of transaction, affects neither the accounting nor taxable profits.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.11 Trade and other payables

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

4.12 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, and it is probable that an out flow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.13 Borrowings and borrowing costs

Borrowings are recorded at the proceeds received. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of the amount remaining unpaid.

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

4.14 Revenue recognition

Revenue is recognized on dispatch of goods or on performance of services. Return on deposits is recognized on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

4.15 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange prevailing at the balance sheet date, except those covered by forward contracts, which are stated at contracted rates. Foreign currency transactions are translated into Pak Rupees at the rates prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates. Non monetary items are translated into Pak Rupee on the date of transaction or on the date when fair values are determined. Exchange differences are included in income currently.

4.16 Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and derecognized when the company loses control of contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.17 Offsetting of financial assets and liabilities

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

4.18 Impairment

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

4.19 Related party transactions

All transactions with related parties are carried out by the company at arms' length price using the method prescribed under the Companies Ordinance, 1984 with the exception of loan taken from related parties which is interest / mark up free.

4.20 Government grants

Government grants for meeting revenue expenses are set off from respective expenses in the year in which they become receivable.

4.21 Research and development cost

Research and development cost is charged to profit and loss account in the year in which it is incurred.

4.22 Dividend

The dividend distribution to the shareholders is recognized as a liability in the period in which it is approved by the shareholders.

		2009 Rupees	2008 Rupees
5 PROPERTY, PLANT AND EQUIPMENT			
Operating assets - own	5.1	**536,293,520**	555,711,296
Capital work in progress - at cost	5.2	**4,527,081**	12,320,392
		540,820,601	568,031,688

5.1 Operating assets - own

	Freehold land	Building on freehold land	Plant and machinery	Furniture, fixture and equipments	Vehicles	Total
Cost / revaluation						
Balance as at July 1, 2007	90,185,000	134,441,813	864,424,654	11,177,054	4,419,683	1,104,648,204
Additions during the year	-	-	13,234,289	550,320	435,000	14,219,609
Revaluation / adjustment	53,293,000	18,009,089	(25,555,093)	-	-	45,746,996
Disposals	-	-	-	(46,000)	(500,000)	(546,000)
Balance as at June 30, 2008	**143,478,000**	**152,450,902**	**852,103,850**	**11,681,374**	**4,354,683**	**1,164,068,809**
Balance as at July 1, 2008	143,478,000	152,450,902	852,103,850	11,681,374	4,354,683	1,164,068,809
Additions during the year	-	9,003,083	9,057,708	138,776	624,235	18,823,802
Revaluation / adjustment	-	-	-	-	-	-
Disposals	-	-	(865,177)	-	(396,000)	(1,261,177)
Balance as at June 30, 2009	**143,478,000**	**161,453,985**	**860,296,381**	**11,820,150**	**4,582,918**	**1,181,631,434**
Depreciation						
Balance as at July 1, 2007	-	44,330,872	526,460,307	6,300,055	1,827,370	578,918,604
Charge for the year	-	4,875,667	33,400,528	529,862	644,596	39,450,653
Revaluation / adjustment	-	6,130,130	(15,821,162)	-	-	(9,691,032)
Disposal	-	-	-	(3,452)	(317,260)	(320,712)
Balance as at June 30, 2008	-	**55,336,669**	**544,039,673**	**6,826,465**	**2,154,706**	**608,357,513**
Balance as at July 1, 2008	-	55,336,669	544,039,673	6,826,465	2,154,706	608,357,513
Charge for the year	-	5,320,767	31,314,310	491,677	457,932	37,584,686
Revaluation / adjustment	-	-	(20,202)	-	-	(20,202)
Disposal	-	-	(328,799)	-	(255,284)	(584,083)
Balance as at June 30, 2009	-	**60,657,436**	**575,004,982**	**7,318,142**	**2,357,354**	**645,337,914**
Written down value as at June 30, 2008	143,478,000	97,114,233	308,064,177	4,854,909	2,199,977	555,711,296
Written down value as at June 30, 2009	143,478,000	100,796,549	285,291,399	4,502,008	2,225,564	536,293,520
Rate of depreciation	-	5%	10%	10%	20%	

		2009 Rupees	2008 Rupees
5.2 The depreciation for the year has been allocated as under:			
Cost of sales	24.1	**34,650,197**	36,831,635
Administrative expenses	27	**2,934,489**	2,619,021
		37,584,686	39,450,656

5.3 Had there been no revaluation, the original cost and accumulated depreciation of revalued assets would have been as follows as on June 30, 2009.

	Cost Rupees	Accumulated Depreciation Rupees	Written down Value Rupees
Land	15,791,001	-	15,791,001
Building	92,480,693	46,839,675	45,641,018
Plant and machinery	632,668,869	408,457,315	224,211,554
	740,940,563	455,296,990	285,643,573

The company had its freehold land, building on freehold land, plant and machinery revalued at October 24, 2007. Revaluation of the assets were carried out by the independent valuers "M/s Hamid Mukhtar and Company" registered surveyors and valuation consultants. Freehold land was revalued at market value and building on freehold land, plant and machinery are valued at depreciated market value.

5.4 Detail of assets disposed off:

Description	Mode of Disposal	Particulars of buyer	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds
			Rupees			
Plant and machinery	Negotiation	M/S Zeshan Traders, Samandri Road, Faisalabad.	865,177	328,799	536,378	840,000
Vehicle	Negotiation	Ansar Mahmood, Ara Post Office Jhelum.	396,000	255,284	140,716	390,000
			1,261,177	584,083	677,094	1,230,000

	Note	2009 Rupees	2008 Rupees
5.5 Capital work in progress			
Plant and machinery		**4,527,081**	4,538,301
Civil works and advances		-	7,782,091
		4,527,081	12,320,392
6 LONG TERM DEPOSITS			
Security deposits - utilities		**2,734,699**	2,734,699
		2,734,699	2,734,699
7 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		**1,522,438**	1,677,481
Spare parts		**11,622,865**	12,078,370
Loose tools		**105,589**	93,498
		13,250,892	13,849,349

		Note	2009 Rupees	2008 Rupees
8	**STOCK IN TRADE**			
	Raw Material	8.1	**85,144,677**	144,607,869
	Work in process		**6,094,531**	4,270,076
	Finished goods		**18,549,857**	26,552,259
	Waste		**1,626,069**	558,196
			111,415,134	175,988,400

8.1 Raw material of Rs. 37.474 million (June 30, 2008 : Rs. 123.183 million) are pledged as security for short term borrowing (cash finance).

		2009 Rupees	2008 Rupees
9	**TRADE DEBTS**		
	Considered good		
	Export - secured	**13,973,185**	-
	Local - unsecured	**86,395,878**	100,254,491
		100,369,063	100,254,491
10	**LOANS AND ADVANCES**		
	Considered good		
	Advances to		
	Suppliers	**8,602,262**	3,753,691
	Employees	**4,077,881**	3,867,176
	Letter of credits	**15,138**	-
		12,695,281	7,620,867
11	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**		
	Security deposits	**34,000**	59,000
	Prepayments	**81,685**	232,811
		115,685	291,811
12	**OTHER RECEIVABLES**		
	Considered good		
	Claims receivable	-	721,500
	Receivable against WAPDA	-	1,387,115
		-	2,108,615
13	**TAX REFUNDS DUE FROM GOVERNMENT**		
	Considered good		
	Sales tax receivable	**5,956,890**	6,112,441
	Advance income tax	**2,285,771**	4,997,460
		8,242,661	11,109,901

14 CASH AND BANK BALANCES

	Note	2009 Rupees	2008 Rupees
Cash in hand		**189,716**	183,567
Cash at banks (current accounts)		**1,491,132**	1,934,169
		1,680,848	2,117,736

15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2009 Number of Shares	2008 Number of Shares		2009 Rupees	2008 Rupees
11,640,000	11,640,000	Ordinary shares of Rs. 10 each alloted for consideration fully paid in cash	**116,400,000**	116,400,000
11,640,000	11,640,000		**116,400,000**	116,400,000

15.1 The shareholders are entitled to receive all distribution to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the company. All shares carry "one vote" per share without restriction.

5.2 There is no movement in share capital during the year.

16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2009 Rupees	2008 Rupees
Opening balance	**283,649,111**	238,559,885
Revaluation during the year	-	55,438,028
Adjustment of downward revaluation on disposal of property, plant and equipment	**20,202**	
	283,669,313	293,997,913
Incremental depreciation transferred to accumulated loss	**9,678,355**	10,348,802
Closing balance	**273,990,958**	283,649,111

17 LONG TERM FINANCING

	Note	2009 Rupees	2008 Rupees
Secured - from banking company			
Soneri Bank Limited - Term finance	17.1	-	20,133,000
Soneri Bank Limited - LTF - EOP	17.2	-	13,200,000
		-	33,333,000
Current portion		-	(33,333,000)
		-	-
Unsecured - from related parties	17.3		
Directors		**134,802,100**	134,802,100
Associated undertaking		**165,000,000**	145,000,000
		299,802,100	279,802,100
		299,802,100	279,802,100

17.1 The loan was secured against 1st charge on the current and future assets of company, registered mortgage, hypothecation of stocks and personal guarantees of directors. It carries markup at six months KIBOR + 2% per annum payable quarterly. The effective rate of mark up ranges from 15.13% to 16.13% (June 30, 2008 : 11.00% to 11.32%) per annum. The loan was repayable in 10 equal quarterly installments of Rs. 5.333 million each commenced from March 20, 2007. The loan was fully satisfied during the year.

17.2 The loan was created pursuant to State Bank of Pakistan LTF - EOP scheme and is secured against 1st charge on the current and future assets of company, registered mortgage, hypothecation of stocks and personal guarantees of directors. It carries markup at the rate of 6 % (June 30, 2008 : 6%) per annum payable quarterly. The loan was repayable in 10 equal quarterly installments of Rs. 3.3 million each commencing from March 20, 2007. The loan was fully satisfied during the year.

17.3 These are unsecured and interest free loans and not repayable with in next twelve months. However, during the period the company transferred a loan of Rs. 20,000,000 from short term borrowings from associated undertaking [interest free (June 30, 2008 : mark up 8% per annum)] to long term financing from assiacted undertaking [interest free (June 30, 2008 : interest free)]. Out of total loan Rs. 192,800,000 (June 30, 2008 : Rs. 172,802,000) was subordinated to long term financing from banking company.

18 STAFF RETIREMENT BENEFITS-GRATUITY

18.1 Movement in net liability recognized in balance sheet

		2009 Rupees	2008 Rupees
Opening net liability		**2,956,320**	1,811,845
Expenses for the year	18.2	**1,965,568**	3,994,475
		4,921,888	5,806,320
Benefits paid during the year		**(927,500)**	(2,850,000)
Closing net liability		**3,994,388**	2,956,320

18.2 Expenses recognized in the profit and loss account

	2009	2008
Current service cost	**1,464,437**	3,378,153
Interest cost	**182,393**	312,183
Transitional gain recognized	**-**	(13,922)
Actuarial loss recognized	**318,738**	318,061
	1,965,568	3,994,475

18.3 Movement in the present value of defined benefit obligation

	2009	2008
Present value of defined benefit obligation	**6,291,858**	3,860,271
Interest cost for the year	**182,393**	312,183
Current service cost for the year	**1,464,437**	3,378,153
Benefits paid during the year	**(927,500)**	(2,850,000)
Actuarial loss	**(3,961,333)**	1,591,251
	3,049,855	6,291,858

18.4 Historical information

	2009	**2008**	**2007**	**2006**	**2005**
Present value of defined benefit obligation	3,049,855	6,291,858	3,860,271	2,705,488	649,039
Experience adjustments in plan liabilities	(3,961,333)	1,591,251	1,191,783	1,003,232	11,304

18.5 Reconciliation of present value of defined benefit obligation to liabilities recognized in balance sheet

	2009 Rupees	2008 Rupees
Present value of defined benefit obligation	3,049,855	6,291,858
Actuarial (loss) / gain to be recognized in later periods	944,533	(3,335,538)
	3,994,388	2,956,320

18.6 General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method.

18.7 Principal actuarial assumption

Following are a few important actuarial assumptions used in the valuation.

	2009 Rupees	2008 Rupees
Discount rate	13%	12%
Expected rate of salary increase in future	10%	10%

18.8 Expected gratuity expense for the year ending June 30, 2010 works out to Rs. 2,328,933.

19 TRADE AND OTHER PAYABLES

	2009	2008
Creditors	8,302,206	7,000,355
Accrued liabilities	12,218,932	8,151,476
Advance from customers	1,245,282	1,043,605
Retention money	-	104,977
Income tax payable	78,109	8,201
	21,844,529	16,308,614

20 ACCRUED MARKUP / INTEREST

	2009	2008
Secured - from banking companies		
Long term financing	238,991	974,910
Short term borrowings	13,065,172	10,310,149
Unsecured - from related parties		
Short term borrowings	-	867,945
	13,304,163	12,153,004

21 SHORT TERM BORROWINGS

	Note	2009	2008
Secured - from banking companies			
Cash finance	21.1	33,727,000	110,865,000
Running finance		212,489,713	215,028,041
Unsecured - from related parties			
Associated undertaking	21.2	19,580,239	-
		265,796,952	325,893,041

21.1 These finances are available from banking companies under mark up arrangements against aggregate sanctioned limit of Rs. 560 million (June 30, 2008 : 525 million). These facilities are secured against registered equitable mortgage charge on fixed assets with deposit of title deeds of land, hypothecation and floating charge on stocks, book debts, current assets, pledge of raw cotton bales, pledge of cotton yarn, pledge of government securities owned by directors and personal guarantees of the directors. These carries markup ranging from 11.50 to 17.68 (June 30, 2008 : 8.00 to 11.63) percent per annum payable quarterly. These facilities will expire on October 31, 2009 and June 30, 2010.

		2009 Rupees	2008 Rupees
22 CONTINGENCIES AND COMMITMENTS			
Contingencies			
Bills discounted with recourse		**61,826,985**	5,947,300
Bank guarantee issued in the ordinary course of business		**12,778,410**	10,729,734
Commitments			
Letter of credit for stores and spares parts		**2,673,625**	707,880
23 SALES - NET			
Yarn			
Local		**799,691,884**	641,251,595
Export	23.1	**55,889,306**	67,641,729
Waste		**12,621,889**	24,239,350
		868,203,079	733,132,674

23.1 It includes net exchange gain amounting to Rs. 443,592 (June 30, 2008 : Rs. 54,681).

		2009 Rupees	2008 Rupees
24 COST OF SALES			
Cost of goods manufactured	24.1	**808,962,767**	705,587,882
Finished goods			
Opening stock		**27,110,455**	11,180,870
Closing stock		**(20,175,926)**	(27,110,455)
		6,934,529	(15,929,585)
		815,897,296	689,658,297

24.1 Cost of goods manufactured

		2009 Rupees	2008 Rupees
Raw materials consumed	24.2	**599,357,657**	531,555,955
Fuel and power		**81,659,013**	55,614,893
Stores and spares consumed		**17,635,143**	15,225,631
Salaries, wages and other benefits		**55,832,109**	50,088,843
Staff retirement benefit - gratuity		**1,489,359**	2,972,749
Packing material consumed		**12,071,151**	8,928,467
Depreciation	5.2	**34,650,197**	36,831,632
Other expenses		**8,092,593**	6,191,769
		810,787,222	707,409,939
Work in process			
Opening stock		**4,270,076**	2,448,019
Closing stock		**(6,094,531)**	(4,270,076)
		(1,824,455)	(1,822,057)
		808,962,767	705,587,882

	Note	2009 Rupees	2008 Rupees
24.2 Raw material consumed			
Opening stock		**144,607,869**	82,729,543
Purchases		**539,894,465**	593,434,281
		684,502,334	676,163,824
Closing stock		**85,144,677**	144,607,869
		599,357,657	531,555,955

25 OTHER OPERATING INCOME

	Note	2009 Rupees	2008 Rupees
From non financial assets			
Credit balances added back		**16,745**	1,334,326
Profit on sale of fixed assets		**552,906**	3,452
		569,651	1,337,778

26 DISTRIBUTION COST

	Note	2009 Rupees	2008 Rupees
Commission on local sales		**5,381,822**	5,365,673
Commission on export sales		**1,663,478**	335,580
Local freight		**1,204,726**	727,795
Inland freight on export sales		**431,500**	626,400
Ocean freight		**321,530**	346,778
Export development surcharge		**96,937**	217,444
Clearing and forwarding		**202,150**	252,467
Bank charges		**15,108**	570,620
Other export expenses		**78,117**	51,477
		9,395,368	8,494,234

27 ADMINISTRATIVE EXPENSES

	Note	2009 Rupees	2008 Rupees
Salaries and other benefits		**2,442,738**	**2,189,166**
Staff retirement benefit - gratuity		**476,209**	**1,021,726**
Rent, rates and taxes		**396,255**	**755,732**
Legal and professional		**126,220**	**29,840**
Repairs and maintenance		**370,860**	**61,770**
Traveling and conveyance		**127,064**	**171,735**
Vehicle running expenses		**443,069**	**284,610**
Entertainment		**63,934**	**27,014**
Insurance		**138,565**	**132,612**
Auditors' remuneration	27.1	**308,000**	**290,000**
Advertisement		**26,670**	**106,398**
Postage, telephones and telegrams		**250,427**	**189,079**
Electricity, gas and water		**8,913**	**331,224**
Printing and stationary		**73,794**	-
Depreciation	5.2	**2,934,489**	**2,619,021**
		8,187,207	**8,209,927**

	2009 Rupees	2008 Rupees
27.1 Auditors' remuneration		
Statutory audit fee	**247,500**	225,000
Review of code of corporate governance	**27,500**	25,000
Half yearly and other reviews	**33,000**	30,000
Tax services and other certification	-	10,000
	308,000	290,000

28 OTHER OPERATING EXPENSES

Debit balances written off	**233,497**	2,767,918
Loss on disposal of fixed assets	-	2,739
	233,497	2,770,657

29 FINANCE COST

Markup on long term financing		
Banking company	**2,453,241**	5,131,143
Markup on short term borrowings		
Banking companies	**54,025,740**	35,387,896
Associated undertaking	-	1,843,287
Bank charges and commission	**1,594,505**	578,126
	58,073,486	42,940,452

30 TAXATION

Current year	**419,161**	3,665,663
	419,161	3,665,663

Current tax

The assessment of the company will be finalized in respect of export proceeds under presumptive tax regime under section 169. Other than export income, assessment will be finalized under the provisions of Income Tax Ordinance, 2001. Income tax return of the company has been filed up to tax year 2008. The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the total income of the company is liable to tax under section 169 of Income Tax ordinance, 2001.

Deferred tax

Deferred tax asset has not been recognized as it is not probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized. The company falls under the ambit of presumptive tax in current year under the Income Tax Ordinance, 2001.

31 EARNING PER SHARE - basic and dilutive

		2009	2008
Loss for the year	Rupees	(23,433,285)	(21,268,778)
Weighted average number of ordinary shares	Numbers	11,640,000	11,640,000
Earnings per share - basic	Rupees	(2.01)	(1.83)

31.1 There is no dilutive effect on basic earning per share.

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The chief executive and directors have waived off their remunerations and meeting fees for the year. One director is entitled for maintenance of two cars. No employee of the company fall under the definition of executive as defined in the Companies Ordinance, 1984

33 FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

The company has exposures to the following risks from its use of financial instruments.

33.1 Credit risk
33.2 Liquidity risk
33.3 Market risk

The board of directors has overall responsibility for the establishment and oversight of company's risk management framework. The board is also responsible for developing and monitoring the company's risk management policies.

33.1 Credit risk

33.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 108.896 million (June 30, 2008 : Rs. 111.142 million), financial assets which are subject to credit risk aggregate to Rs. 107.216 million (June 30, 2008 : Rs. 109.024 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows.

	2009 Rupees	2008 Rupees
Long term deposits	**2,734,699**	2,734,699
Trade debts	**100,369,063**	100,254,491
Loans and advances	**4,077,881**	3,867,176
Trade deposits and short term prepayments	**34,000**	59,000
Other receivables	-	2,108,615
Cash and bank balances	**1,680,848**	2,117,736
	108,896,491	111,141,717

33.1.2 The maximum exposure to credit risk for trade debts at the balance sheet date by geographical region is as follows.

	2009 Rupees	2008 Rupees
Domestic	**86,395,878**	100,254,491
Export	13,973,185	-
	100,369,063	100,254,491

The export debtors of the company are situated in China.

33.1.3 The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows.

	2009 Rupees	2008 Rupees
Yarn	**100,194,998**	100,254,491
Waste	**174,065**	-
	100,369,063	100,254,491

33.1.4 The aging of trade debtors at the balance sheet is as follows.

	Gross debtors 2009	2008
	Rupees	
Not past due	**72,969,869**	68,924,669
Past due 1-30 days	**6,820,706**	13,009,968
Past due 31-1 year	**10,157,254**	9,432,641
Past due more than 1 year	**10,421,234**	8,887,214
	100,369,063	100,254,492

Based on the past experience, sales volume, consideration of financial position, past track records and recoveries and economic conditions, the company believes that there is no need for provision of balance outstanding more than one year.

33.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

2009	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
Non - derivative Financial liabilities						
Long term financing	299,802,100	299,802,100	-	-	-	299,802,100
Trade and other payables	20,521,138	20,521,138	20,521,138	-	-	-
Accrued mark up and interest	13,304,163	13,304,163	13,304,163	-	-	-
Short term borrowings	265,796,952	287,782,790	287,782,790	-	-	-
	599,424,353	**621,410,191**	**321,608,091**	-	-	**299,802,100**

2008	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
Non - derivative Financial liabilities						
Long term financing	313,135,100	315,588,341	18,380,036	17,406,205	-	279,802,100
Trade and other payables	15,256,808	15,256,808	15,256,808	-	-	-
Accrued mark up and interest	12,153,004	12,153,004	12,153,004	-	-	-
Short term borrowings	325,893,041	344,843,721	344,843,721	-	-	-
	666,437,953	**687,841,874**	**390,633,569**	**17,406,205**	-	**279,802,100**

33.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark up rates effective as at June 30. The rates of mark up have been disclosed in relevant notes to these financial statements.

31.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The company is exposed to currency risk and interest rate risk only.

33.3.1 Currency risk

Exposure to currency risk

The company is exposed to currency risk on trade debts, borrowing and import of raw material and stores that are denominated in a currency other than the respective functional currency of the company, primarily in US Dollar and Euro. The currencies in which these transactions primarily are denominated is US Dollar and Euro. The company's exposure to foreign currency risk is as follows.

	US Dollar	Rupees
Trade debts 2009	**177,510**	13,973,185
Trade debts 2008	-	-

The following significant exchange rates applied during the year.

	Average rates		Reporting date rates	
	2009	2008	**2009**	2008
US Dollar to Rupee	75	64.20	81.10	68.00

Sensitivity analysis

5% strengthening of Pak Rupee against the following currencies at June 30, would have increased / (decreased) equity and profit and loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. 5% weakening of Pak Rupee against the above currencies at periods ends would have had the equal but opposites effect on the above currencies to the amount shown below, on the basis that all other variables remain constant.

	2009 Rupees	2008 Rupees
US Dollar	**(296,927)**	-

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the company.

33.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposures arises from long term financing and short term borrowings. At the balance sheet date the interest rate profile of the company's interest bearing financial instrument is as follows.

	2009 Rupees	2008 Rupees
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
Variable rate instruments		
Financial assets	-	-
Financial liabilities	**246,216,713**	359,226,041

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for June 30, 2008.

	Profit and loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	Rupees			
Cash flow sensitivity - variable rate instruments 2009	564,790	(564,790)	-	-
Cash flow sensitivity - variable rate instruments 2008	423,623	(423,623)	-	-

33.4 Fair value of financial assets and liabilities

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

	2009 Rupees	2008 Rupees
33.5 Off balance sheet items		
Contingencies		
Bills discounted with recourse	**61,826,985**	5,947,300
Bank guarantee issued in the ordinary course of business	**12,778,410**	10,729,734
Commitments		
Letter of credit for stores and spares parts	**2,673,625**	707,880

33.6 The effective rate of interest / mark up for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

34 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 the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total capital employed. Borrowings represent long term financing, long term loan from directors and others and short term borrowings. Total capital employed includes total equity as shown in the balance sheet plus borrowings.

		2009 Rupees	2008 Rupees
Borrowings	Rupees	**565,599,052**	639,028,141
Total equity	Rupees	**(87,408,226)**	(73,653,296)
Total capital employed	Rupees	**(478,190,826)**	565,374,845
Gearing ratio	Percentage	**118.28**	113.03

35 PLANT CAPACITY AND PRODUCTION

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw material used, spindle speed and twist. It would also vary according to the pattern of production adopted in a particular year.

	2009 Rupees	2008 Rupees
Total number of spindles installed	**19,344**	19,344
Total number of spindles worked	**18,066**	19,116
Number of shifts per day	**3**	3
Rated capacity converted at 20/1 count (Kgs.)	**6,785,551**	6,785,551
Actual production converted at 20/1 count (Kgs.)	**6,633,236**	6,682,722

35.1 Under utilization of available capacity is mainly due to processing of fine counts.

36 TRANSACTIONS WITH RELATED PARTIES

Relationship	**Nature of transaction**	
Associated Companies	Mark up expense	1,843,287

The company has related party relationship with its associated undertakings, its directors and executives officers. Transactions with related parties essentially entail sale and purchase of goods and / or services from the aforementioned concerns. All transactions are carried out on commercial basis.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The company considers all members of their management team, including the chief executive officer and directors to be its key management personnel. There are no transactions with key management personnel other than under the terms of employment.

There are no transactions with key management personnel other than under their terms of employments / entitlements. Balance outstanding from related parties are unsecured and repayable on demand or as contracted. Amounts due to related parties are shown in the relevant notes to the financial statements. Long term financing from related parties, accrued mark up / interest from related parties, short term borrowings from related parties and remuneration of chief executive, directors and executives are disclosed in notes 17, 20, 21 and 32 to the financial statements respectively.

37 CORRESPONDING FIGURES

Figures have been rearranged / reclassified whenever necessary for the purpose of comparison. However, no major reclassification / rearrangement was made in these financial statements.

38 EVENTS AFTER THE BALANCE SHEET DATE

There are no subsequent events occurring after balance sheet date.

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on October 8, 2009 by the board of directors of the company.

AZHER ELAHI	**ATHER J. ELAHI**
CHIEF EXECUTIVE	DIRECTOR

The Companies Ordinance, 1984

FORM - 34

(Section 236(1) and 464)

Pattern of Shareholding as at June 30, 2009

01. Incorporation Number **L-03969**

02. Name of Company **GLAMOUR TEXTILE MILLS LTD.**

03. Pattern of Shareholding as at **30-06-2009**

04.

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM		TO	TOTAL SHARES HELD
1	1	-	100	100
225	101	-	500	112400
6	501	-	1000	5800
10	1001	-	5000	28200
3	5001	-	10000	21000
1	10001	-	15000	13500
1	15001	-	20000	15500
1	25001	-	30000	30000
1	45001	-	50000	50000
1	60001	-	65000	63500
1	195001	-	200000	200000
3	395001	-	400000	1200000
1	1825001	-	1830000	1828500
2	2000001	-	2005000	4000370
2	2035001		2040000	4071130
258				11640000

5.	Categories of shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, and their spouse and minor children	11,163,500	95.9064
5.2	Associated Companies, undertakings and related parties	0	0.0000
5.3	NIT and ICP	0	0.0000
5.4	Banks Development Financial Institutions, Non banking Financial Institutions	0	0.0000
5.5	Insurance Companies	0	0.0000
5.6	Modarabas and Mutal Funds	0	0.0000
5.7	Share holders holding 10%	9,963,500	85.5971
5.8	General Public		
	a. Local	275,500	2.3668
	b. Foreign	0	0.0000
5.9	Others (to be specified)		
	Leasing Companies	200,000	1.7182
	Joint Stock Companies	1,000	0.0086

Categories of Shareholders as required under C.C.G. as on June 30, 2009

S. No.		Categories of Share Holders	Shares Held	%
1.		Directors, CEO, Their Spouses & Minor Children		
	1.	Mr. Asad Elahi	2,035,330	17.4857
		Mr. Asad Elahi (CDC)	918,250	7.8887
	2.	Mr. Azher Elahi	2,035,800	17.4897
		Mr. Azhar Elahi (CDC)	973,750	8.3655
	3.	Mr. Ather Jawed Elahi	2,000,070	17.1829
	4.	Mr. Mansoor Elahi	2,000,300	17.1847
	5.	Mrs. Naureen Asad	400,000	3,4364
	6.	Mrs. Shafqat Azher	400,000	3.4364
	7.	Mrs. Mehnaz Ather Elahi	400,000	3.4364
			11,163,500	95.9064
2.		Associated Companies	-	0.0000
3.		NIT & ICP	-	0.0000
4.		Public Sector Companies & Corporations		
	1.	AWJ Securities (SMC-Private) Ltd (CDC)	500	0.0043
	2.	128 Securities (Pvt) Limited (CDC)	500	0.0043
5.		Bank, Development Financial Institutions, Non Banking Financial Institutions	-	0.0000
6.		Insurance Companies	-	0.0000
7.		Modarabas & Mutual Funds	-	0.0000
8.		Leasing Companies		
	1.	National Development Leasing Corporation	200,000	1.7182
9.		Share Held by the General Public	275,500	2.3668
			11,640,000	100.000

Shareholders holding 10% or more of Total Capital

		Shares Held	%
1.	Mr. Asad Elahi	2,953,580	25.3744
2.	Mr. Azher Elahi	3,009,550	25.8552
3.	Mr. Ather Jawed Elahi	2,000,070	17.1827
4.	Mr. Mansoor Elahi	2,000,300	17.1847
		9,963,500	85.5971

During ther financial year there was no reported trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows:

PROXY FORM

The Corporate Secretary
GLAMOUR TEXTILE MILLS LTD.
11. kms Manga Raiwind Road
District Kasur

I/We ____

of ____________________ being a member(s) of **GLAMOUR TEXTILE MILLS LTD.**

and holder of ____________________ Ordinary Share as per Share
(Number of Shares)

Register Folio No. __________ and CDC Paticipant I.D. No. __________ and Sub Account No. __________

hereby appoint Mr./Mrs./Miss ____

or failing him Mr./Mrs./Miss ____

of ____

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held at its Registered Office 11. kms Manga Raiwind Road District Kasur, on Saturday, the October 31, 2009 at 11 a.m. and at every adjournment thereof.

Signed this ____________________ day of October 2009.

1. Witness:

Signature __________

Name __________

Address __________

Affix Revenue stamp Rs. 5/-

2. Witness:

Signature __________

Name __________

Address __________

Signature __________

(Signature appended above should agree with the specimen signature registered with the Company).

NOTES:

1. Proxies, in order to tbe effective must be received by the Company not les than 48 hours before the meeting. No person shall act as proxy unless he himself is a member of the Company accept that a corporation may appoint a person who is not a member.

2. CDC shareholders and their proxies are requested to attach an attested photocopy of their National Identity Card or Passport with the proxy form before submission to the Company