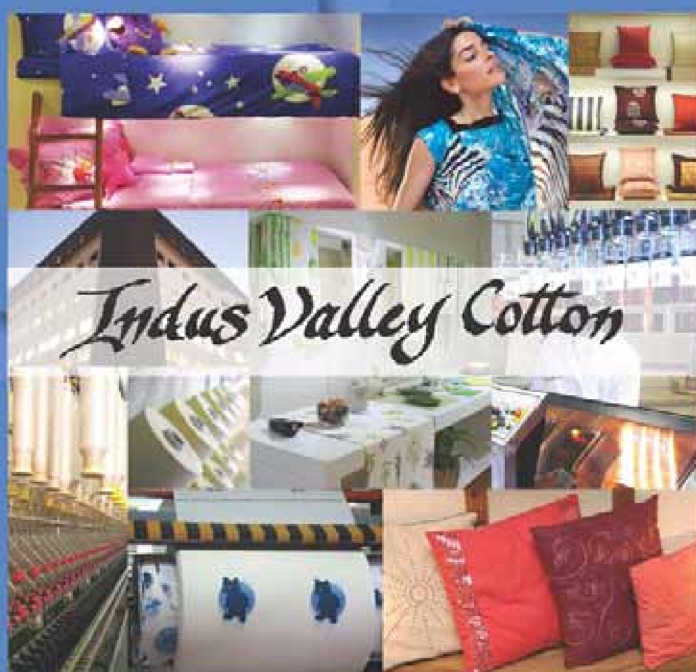
Our investment in people, **technology** and brands enabled us to face the multiple **challenges** in 2009 with determination, **discipline** and innovation.


Indus Valley Cotton

Contents

Gul Ahmed Textile Mills Ltd.

Consolidated Financial Statements

Company Information

BOARD OF DIRECTORS	BASHIR ALI MOHOMMAD	- Chairman & Chief Executive
	ABDUL RAZAK TELI	- Non Executive Director
	SIRAJ KASSAM TELI	- Non Executive Director
	MUHAMMAD JUNAID	- Non Executive Director
	ZAIN BASHIR	- Executive Director
	ZIAD BASHIR	- Executive Director
	MOHAMMAD ZAKI BASHIR	- Non Executive Director
	ABDUL AZIZ YOUSUF	- Executive Director
	S.M. NADIM SHAFIQULLAH	- Independent Non Executive Director
CHIEF FINANCIAL OFFICER	MOHAMMED SALEEM SATTAR	
COMPANY SECRETARY	MOHAMMED SALIM GHAFFAR	
AUDIT COMMITTEE	S.M. NADIM SHAFIQULLAH	- Chairman & Member
	ABDUL RAZAK TELI	- Member
	MOHAMMAD ZAKI BASHIR	- Member
	ABDUL AZIZ YOUSUF	- Secretary

BANKERS

ALLIED BANK LIMITED
BANK AL HABIB LIMITED
BARCLAYS BANK PLC PAKISTAN
CITIBANK, N.A.
FAYSAL BANK LIMITED
HABIB BANK LIMITED
HABIB METROPOLITAN BANK LIMITED
HSBC BANK MIDDLE EAST LIMITED
MEEZAN BANK LIMITED
NATIONAL BANK OF PAKISTAN
NIB BANK LIMITED
STANDARD CHARTERED BANK (PAKISTAN) LTD.
THE ROYAL BANK OF SCOTLAND LIMITED
UNITED BANK LIMITED

AUDITORS

HYDER BHIMJI & CO.
Chartered Accountants

INTERNAL AUDITORS

A.F. FERGUSON & CO.
Chartered Accountants

LEGAL ADVISORS

A.K. BROHI & CO.
Advocates

REGISTERED OFFICE

PLOT NO. 82
MAIN NATIONAL HIGHWAY
LANDHI, KARACHI-75120

SHARE REGISTRAR

FAMCO ASSOCIATES (PRIVATE) LIMITED
1ST FLOOR, STATE LIFE BUILDING NO. 1-A
I.I. CHUNDRIGAR ROAD, KARACHI-74000
PHONE NO. (021)32427012, 32426597 & 32425467
FAX NO. (021)32428310

MILLS

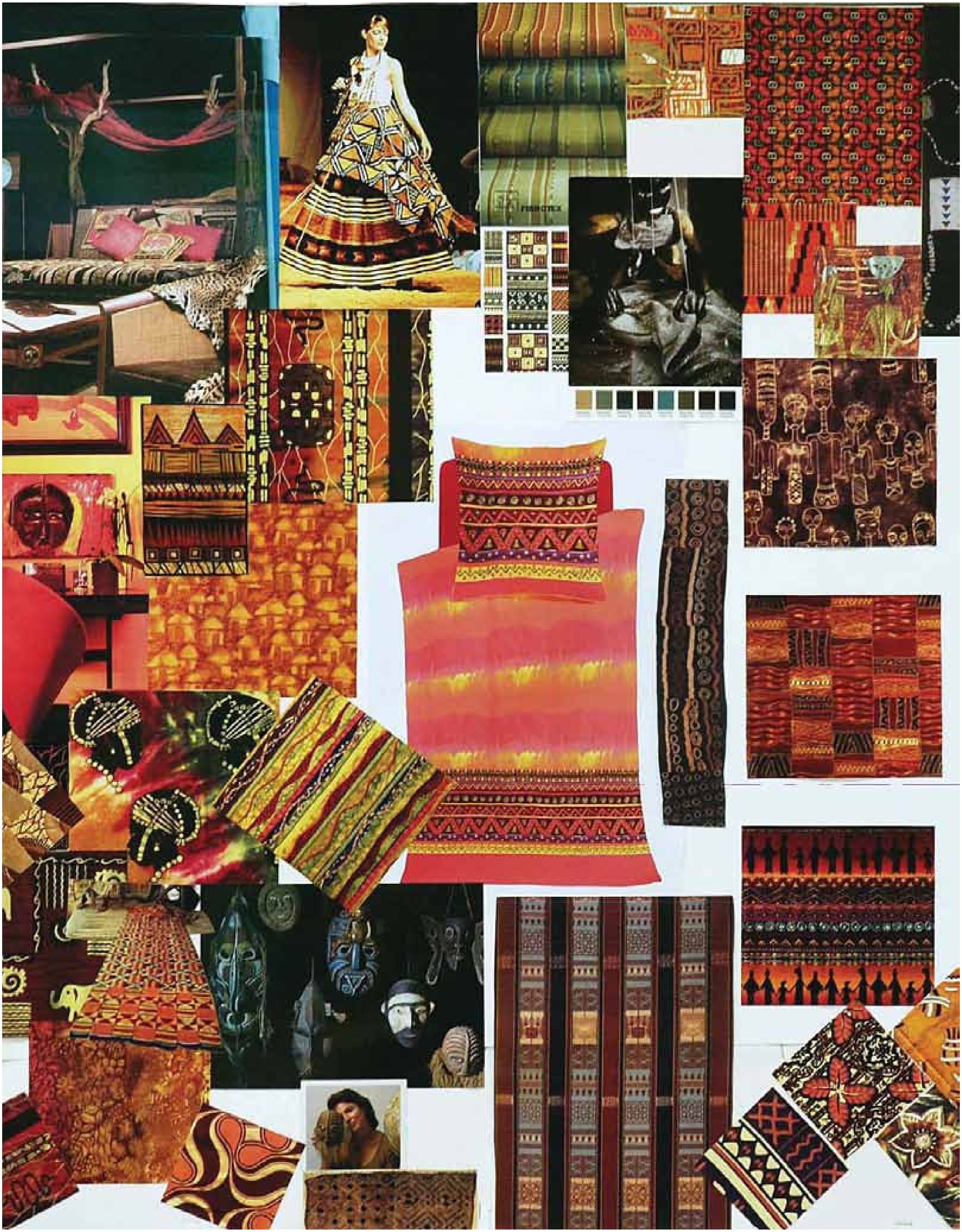
LANDHI INDUSTRIAL AREA
KARACHI-75120

E-MAIL

finance@gulahmed.com

URL

www.gulahmed.com



Vision

Setting trends globally in the textile industry. Responsibly delivering products and services to our partners.

Mission Statement

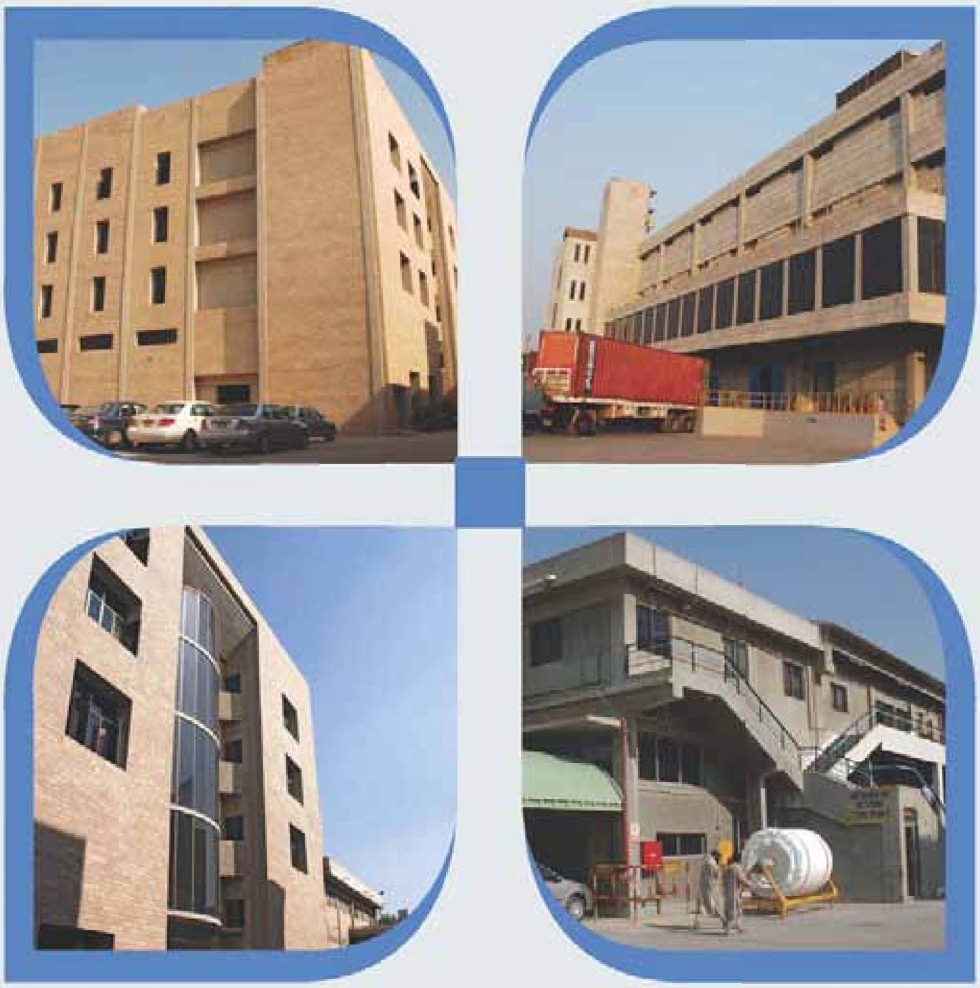
To deliver value to our partners through innovative technology and teamwork. Fulfilling our social and environmental responsibilities.

Values

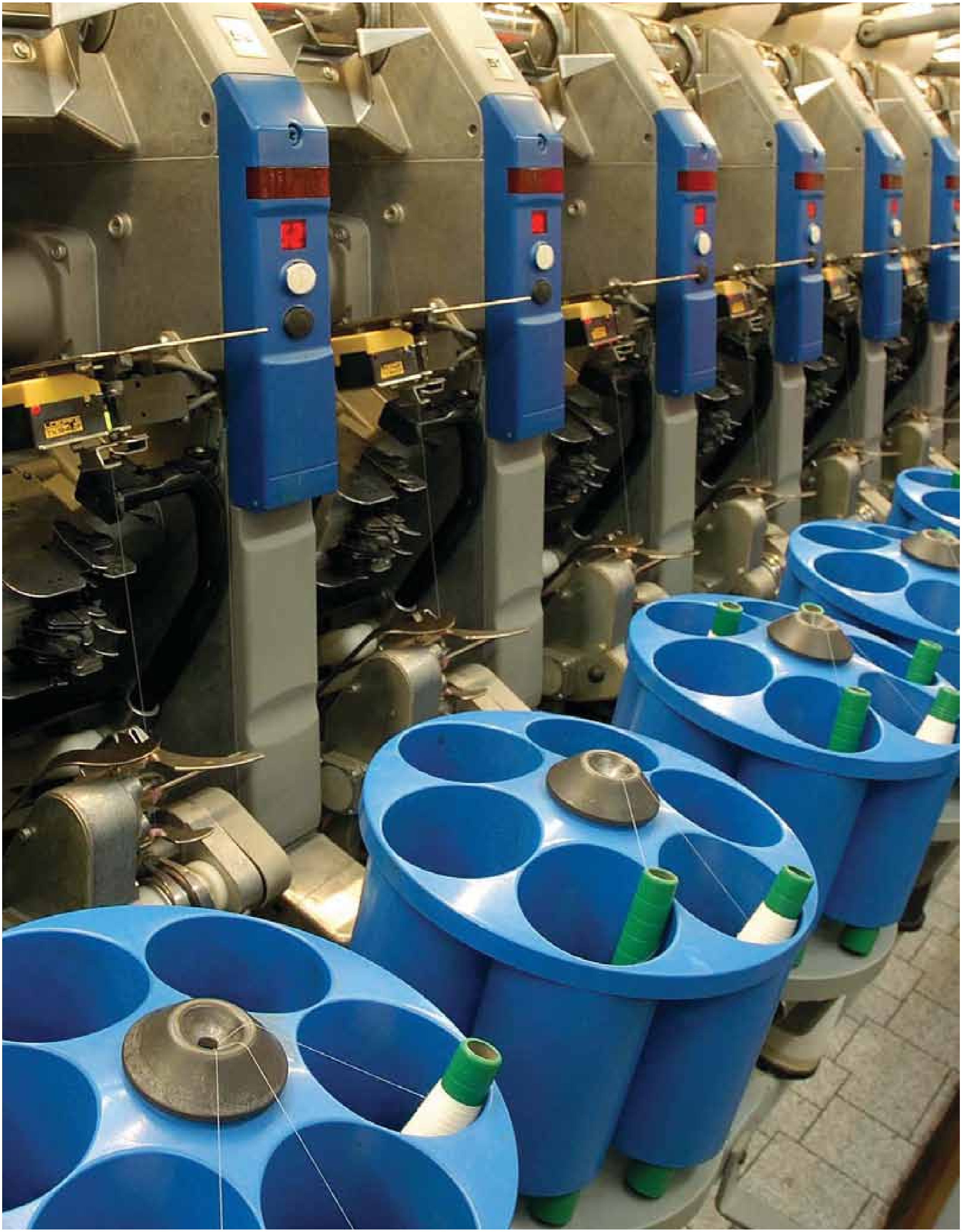
- Integrity
- Passion
- Creativity
- Teamwork

Beginnings

Building blocks of an industry



Gul Ahmed first began trading in textiles in the early 1900's. Manufacturing started in 1953 with the establishment of Gul Ahmed Textile Mills Limited. Since its listing on the Karachi Stock Exchange in 1972, the Company has continued to make rapid progress. Fifty years since its inception, the name Gul Ahmed is still synonymous with quality, innovation and reliability, not just in Pakistan but all over the world. The Company is a composite unit, making everything from cotton yarn to finished product. Manufacturing takes place in decentralized production units, strictly focusing on specialization, all under one recognized and reputed name.



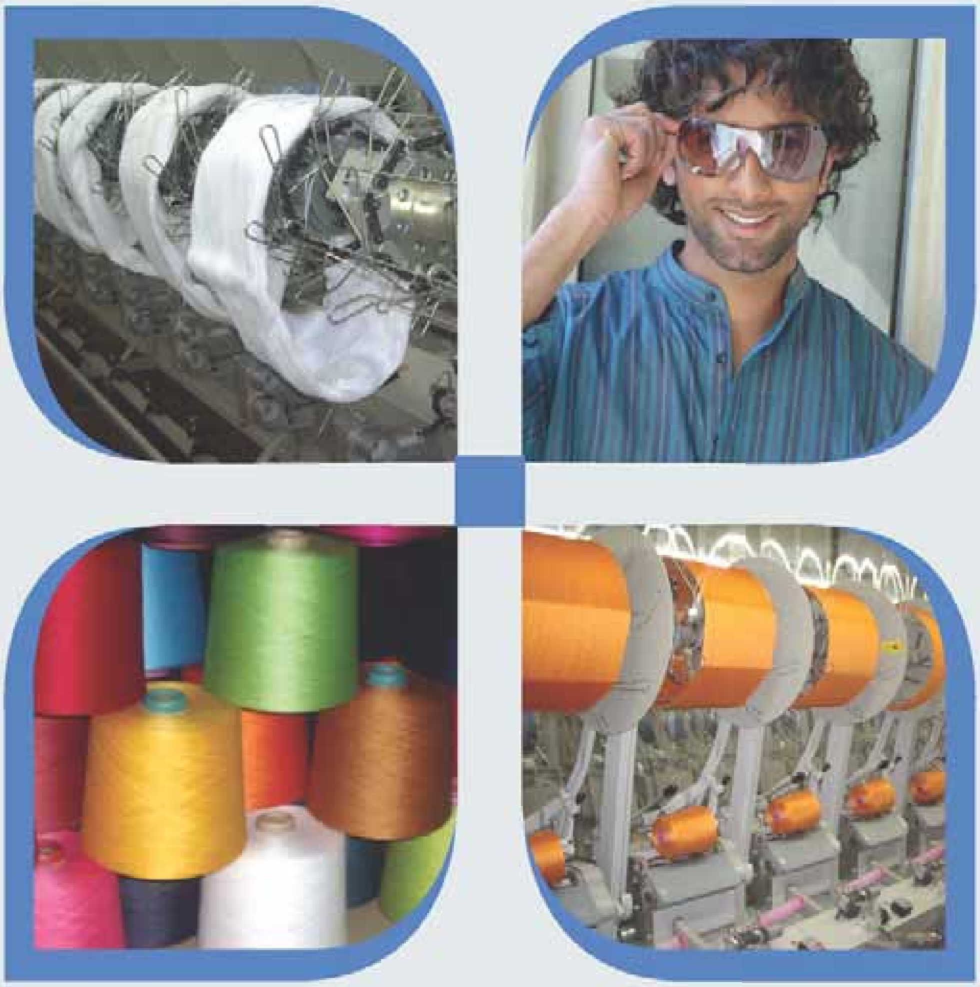
Spinning

The finer things in life

Gul Ahmed has three spinning units. The machinery used in the spinning units is imported from the U.K., U.S.A., Germany and Japan. With an installed capacity of over 130,000 spindles, the units are capable of producing a wide variety of yarns from 100% cotton to poly cotton and poly viscose. Testing is carried out at each stage of production, from the arrival of cotton bales right up to the final inspection of the finished yarn.

Yarn Dyeing

New product in line



Gul Ahmed has installed a state of the art yarn mercerizing and dyeing unit. The unit is the first of it's kind in Pakistan, operated under the supervision of highly qualified personnel. The plant is capable of producing A++Grade cone dyed and gassed mercerized dyed yarns both in carded and combed ranging from 6/2 to 120/2 counts in 100% cotton. The product is suitable for a diverse market including woven and knitted fabrics, socks, stockings and towels.

Weaving

Creativity in cloth

The Company's weaving unit has an installed capacity of over 250 looms. The latest installation of air jet looms operate in a new custom built weaving facility supported by the most modern yarn preparation equipment, comparable with the finest available anywhere in the world. Gul Ahmed's weaving facility is capable of producing twills, drills, dobbies, satins, sheeting, voiles and an array of other finely woven fabrics with a width of up to 330 cms. Rigorous quality testing is conducted at all stages of production from the arrival of yarn to the final inspection of grey cloth.

Processing

Coloring your world

Gul Ahmed's processing units are equipped with a wide range of state of the art machines, which give the Company a flexible processing possibility and an edge over its competitors. Processing is not allowed to commence until the freshly woven grey cloth is diligently tested for irregularities. The Company prints contemporary and traditional designs in as many as 21 colors on fabrics as wide as 3.2 meters. The vast range of equipment enables the Company to pursue alternative dyeing methods to cater to customer specifications. Fabrics once finished are again tested to keep up with Gul Ahmed's quality policy.

Design & Styling

Setting trends

Staffed with experienced artists, Gul Ahmed's design studios have the capability to meet the most stringent requirements in design. Artists adapt different colorways to meet the specifications of each individual country. European designers working for the Company continuously develop new designs for specific geographical areas. The designing team visits major international exhibitions throughout the year to keep abreast of current market trends. The use of the latest CAD/CAM systems and the most sophisticated laser and wax jet engraving technologies are just some of the many examples of the Company's dedication to computerization in all aspects of design detail and reproduction.


200

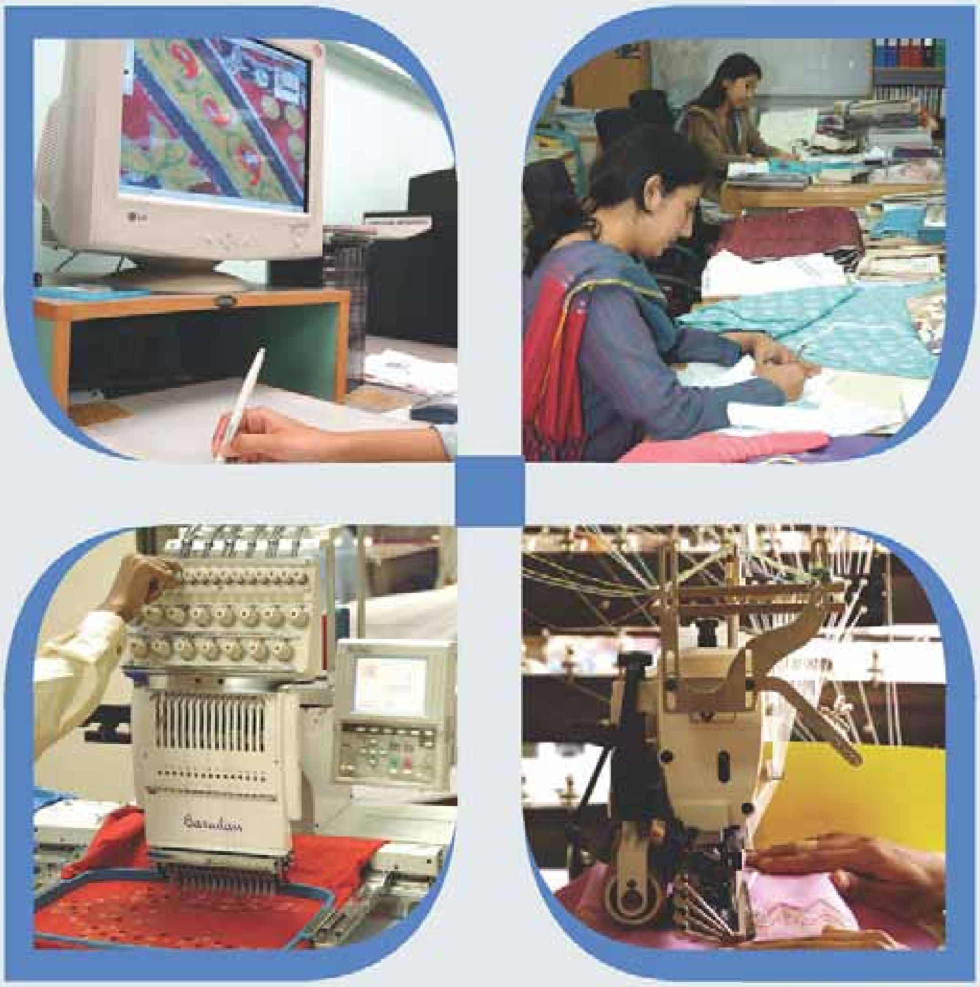
Quality Control

Checks & balances

In the field of textiles, the processing laboratory plays a key role. It serves as the foundation for producing a quality end product. Gul Ahmed has one of the best textile laboratories equipped with state of the art technology and staffed with highly qualified personnel. It has the capability to cover a wide range of operations, from the testing of raw materials up to the evaluation of finished products, according to customer specifications. As a part of quality control for online checking, the processing laboratory is well prepared to control and support the processing units at every stage of production. For continuous improvement in the quality of our end product, research and development work is also carried out in the laboratory.

Product Development

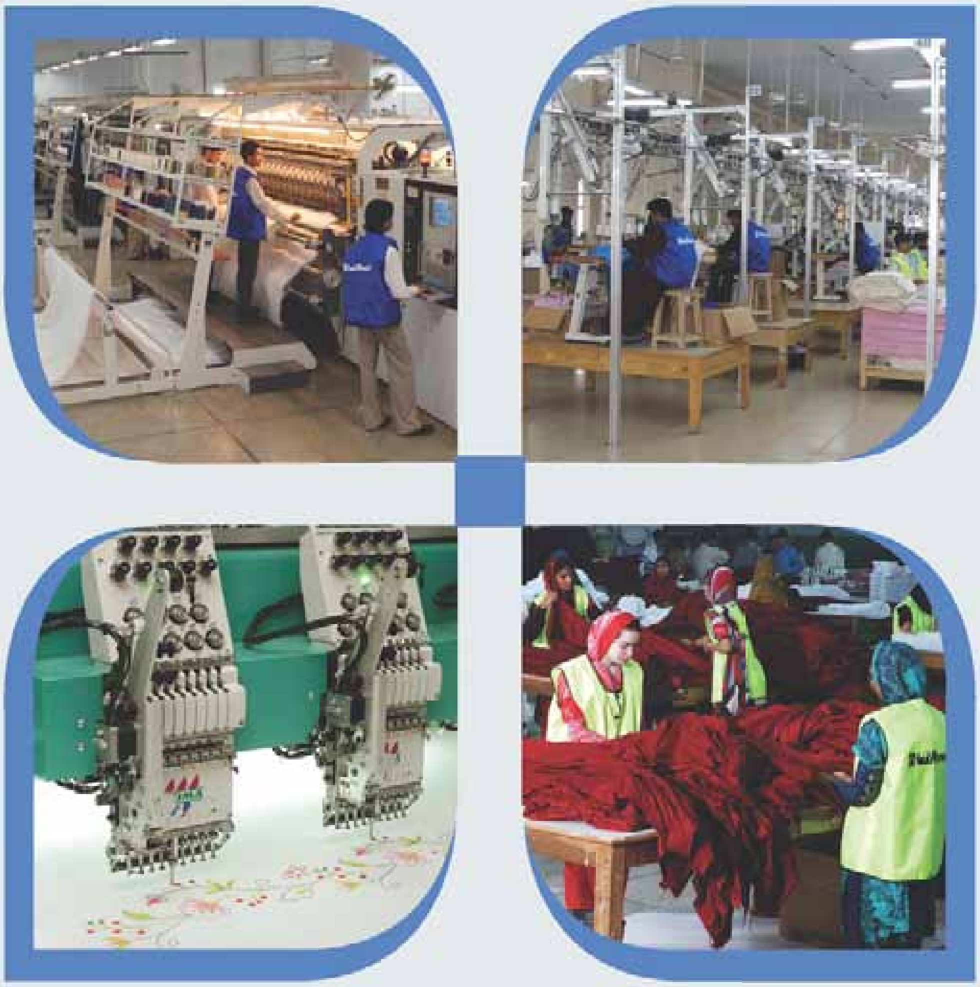
Tailoring to tomorrows needs



Innovation is key to the product development team. New and experimental techniques are devised and perfected in the product development department. Staff and personnel visit international exhibitions to keep abreast of stitching styles and fabric textures. The development team takes these creative concepts, uses the latest styles and color schemes and moulds these ideas into various product lines. In addition, the department constantly works on improving the existing product lines to continuously enhance the value and performance of the end product.

Stitching

Shaping ideas



Fabric is automatically spread and cut through sophisticated machinery at Gul Ahmed's stitching units. The hemming units are equipped with high-speed precision stitching machines. A skilled labor force is experienced in shaping fabrics into different product sizes and style requirements of buyers from various countries. All orders are inspected and tested to ensure compliance with customer specifications. They are then packed for final shipment to their destinations all over the world.

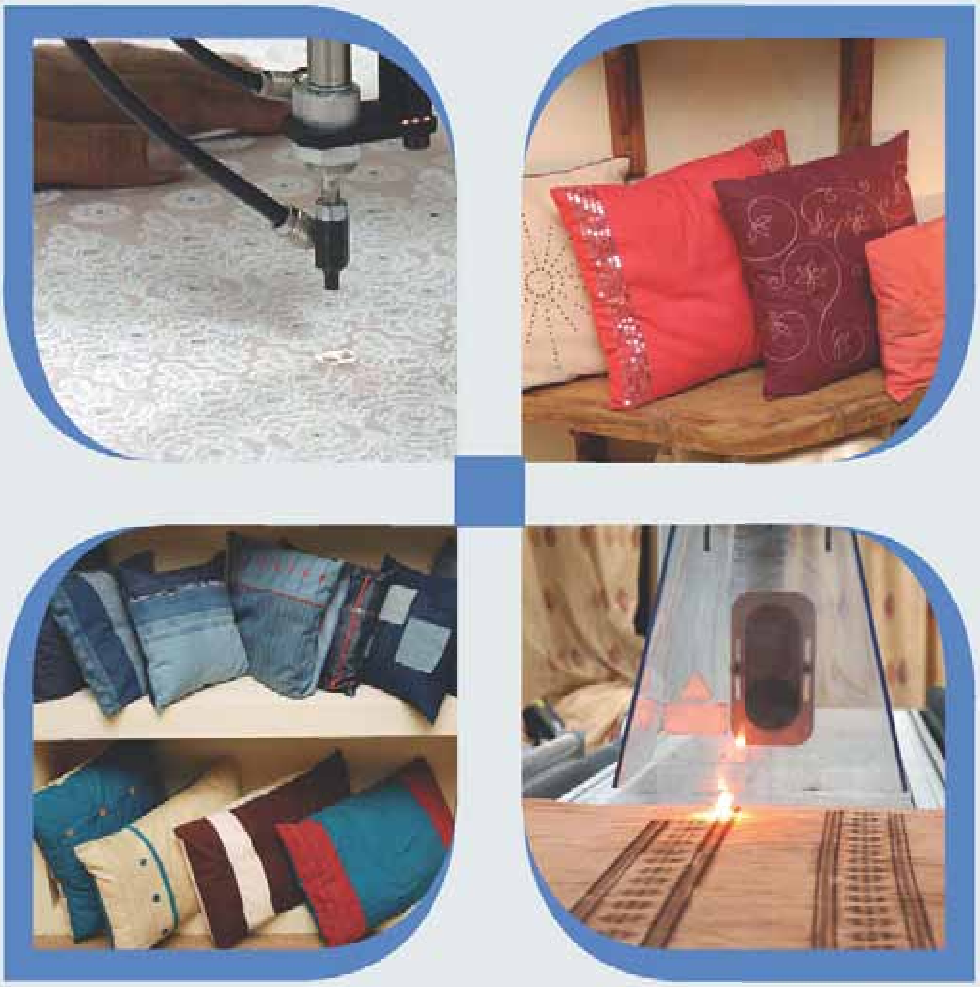
Products

Comfort in style

Gul Ahmed's fine textile products represent a unique fusion of century old traditions of the east and the latest textile technology of the west. The purest of cotton fibers are spun, woven and processed into the finest quality cotton and blended products, through a combination of cutting edge technology and highly skilled craftsmanship. Products include bedlinen, curtains, fabrics and yarn. These are packed to specific buyer requirements. Gul Ahmed's spinning line specializes in medium to fine count cotton yarns and is also capable of producing yarns using a wide variety of synthetic fibres including polyester, rayon and other man-made fibres.

Specialized Products

A touch of class



Gul Ahmed is the first vertically integrated textile mill in Pakistan to produce specialized coated fabrics up to 3 meters wide. Types of coating include Blackout, Fire Retardant, Water Repellent and Flock. The Company has more than 30 state-of-the-art computerized embroidery machines. Each is capable of producing designs in up to 9 colors and on as many as 50 heads at a time. Gul Ahmed has acquired embroidery designing software from Barudan of Japan, which is capable of generating its own in-house designs. The Company has also established a modern quilting facility in which high speed computerized multi-needle and single-needle quilting machines are installed. The machinery along with all its accessories have been imported from America & Italy.

Fashion

Fabric for all seasons

Gul Ahmed's name has been synonymous with quality and style for decades in the sub-continent. Gul Ahmed has introduced new fashion trends and dictated the style of the day with its classic yet contemporary designs. In house designers are constantly striving to keep up with the latest fashions and come up with innovative designs that become the fashion statement of the day.


ideas
by Gul Ahmed
ideas

Retail

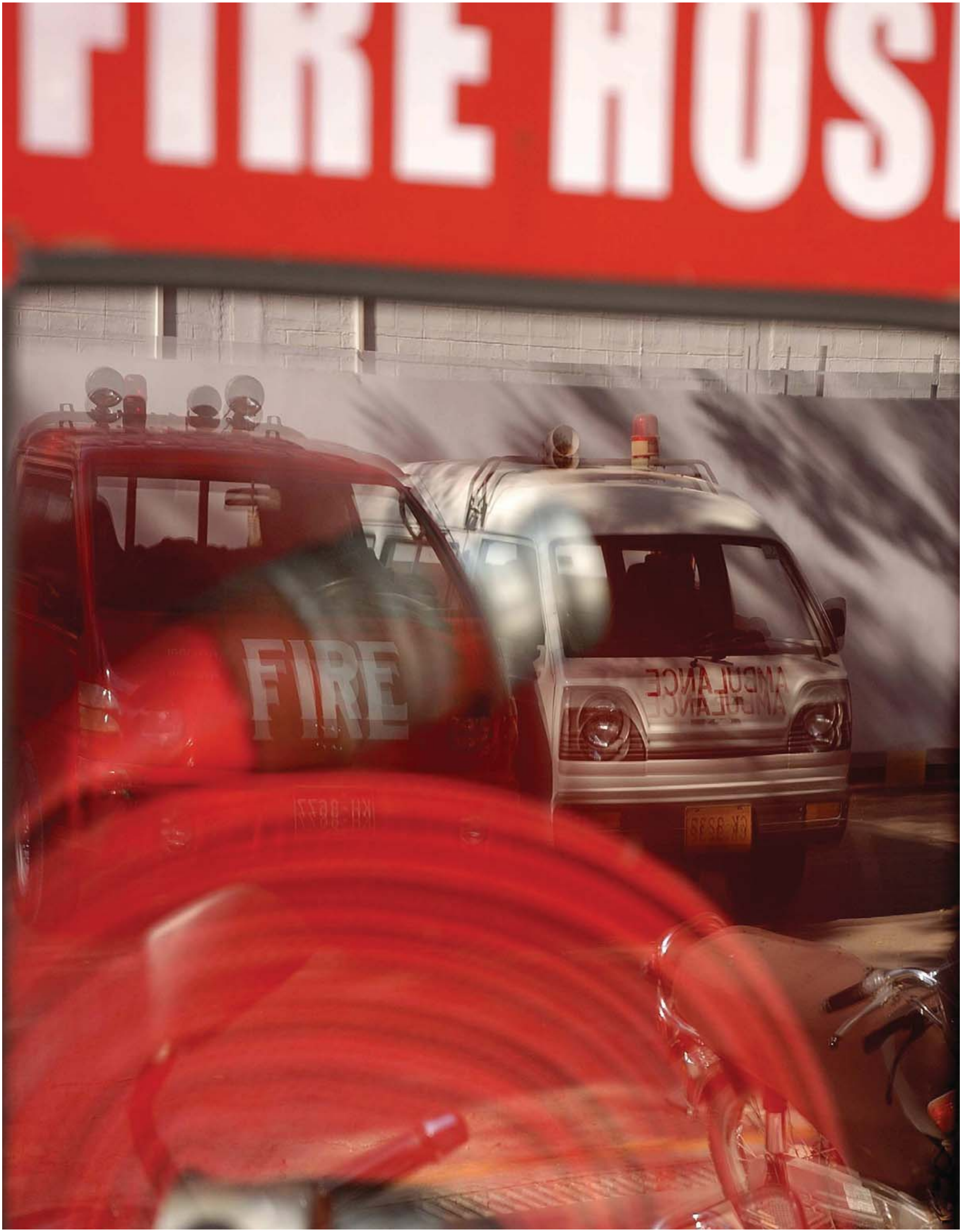
Reaching our consumers

Gul Ahmed decided to enter into retail business in 2003, with the opening of its flagship store 'Ideas', in Karachi. Today it has 28 retail outlets offering a high quality, high service shopping experience with an extensive product range that includes home textiles, fashion and accessories.

Sustainability

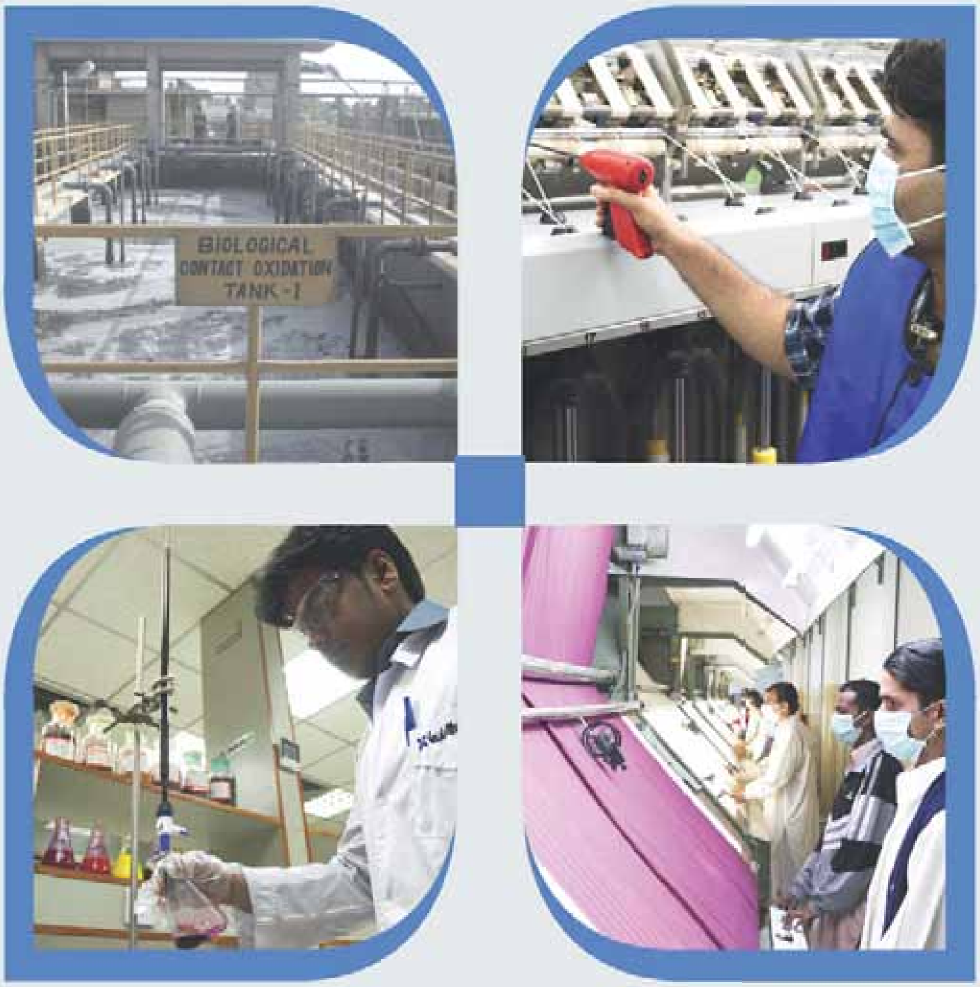
Go - Green

Gul Ahmed has a vision of becoming a green Company that is environmentally friendly and socially responsible. To accomplish this, Gul Ahmed is taking several initiatives, these are installation of effluent treatment plant, being ISO SA 8000 certified, being part of associations of CMIA, organic cotton and FAIRTRADE cotton. It is also a part of BMP cotton through IKEA and generating efficient clean energy and selling carbon credits.


FIRE
FIRE

Social Responsibility

The fabric of Society



Gul Ahmed holds long term corporate objectives towards conservation in the use of electricity, gas and water. The Company plans to set up an environmental management system in order to meet global environmental challenges in all areas. Gul Ahmed promotes equal opportunity employment and provides a congenial, relaxed and healthy work environment. A health and safety manual ensures safety for staff and workers.

Code of Conduct and Ethics

Integrity and good corporate conduct guides us toward our business partners, colleagues, shareholders and the general public. The code of conduct and ethics, as stated below, are foundation of our business principles:

Abide by the law

- Employees shall not make, recommend, or cause to be taken any action known or believed to be in violation of any law, regulation or corporate policy.

- Employees shall not make, recommend, or cause to be made any expenditure of funds known or believed to be in violation of any law, regulation or corporate policy.

Integrity, honesty and respect for others

- Employees shall conduct their employment activities with the highest principles of honesty, integrity, truthfulness and honor. To this end, employees are to avoid not only impropriety, but also the appearance of impropriety.

- Employees shall not use their position to force, induce, coerce, harass, intimidate, or in any manner influence any person, including subordinates, to provide any favor, gift or benefit, whether financial or otherwise, to themselves or others.

- Employees representing the Company to the third parties shall not allow themselves to be placed in a position in which an actual or apparent conflict of interest exist.

Confidentiality

- Employees shall not use or disclose the Company's trade secrets, proprietary confidential information, or any other confidential information gained in the performance of Company's duties as a means of making private profit, gain or benefit.

Shareholders' Information

Annual General Meeting

The annual shareholders' meeting will be held on October 30, 2009 at 10:00 a.m at the Moosa D. Dessai ICAP Auditorium, Institute of Chartered Accountants of Pakistan, G-31/8, Chartered Accountants Avenue, Clifton, Karachi. Shareholders as of October 23, 2009 are encouraged to participate and vote.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the Company at least 48 hours before the meeting time. CDC shareholders or their proxies are requested to bring with them copies of their Computerized National Identity Card along with the Participant's ID Number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

Ownership

On June 30, 2009 the Company has 2023 shareholders.

Web Reference

Annual/Quarterly reports are regularly posted at the Company's website: www.gulahmed.com

Karachi Stock Exchange Share Prices 2008-09

	Price in Rupees	
Period	High	Low
1st Quarter	49.00	40.00
2nd Quarter	49.00	47.70
3rd Quarter	49.00	28.60
4th Quarter	43.85	34.75

Announcement of Financial Results

The tentative dates of the announcement of financial results and payment of cash dividend (if any) for the year 2009-10 are as follows:

Period	Financial Results	Dividend Payment (if any)
1st Quarter	October 29, 2009	—
2nd Quarter	February 27, 2010	—
3rd Quarter	April 29, 2010	—
Annual Accounts	September 29, 2010	November 30, 2010

The Company reserves the right to change any of the above dates.

Share Registrar

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfers should be directed to our Share Registrar M/s. Famco Associates (Private) Limited, 1st Floor, State Life Building No. 1-A, I.I. Chundrigar Road, Karachi, Phone Nos. (021)32427012, 32426597 & 32425467 and Fax No. (021)32428310.

Investor Relation Contact

Mr. Mohammad Salim Ghaffar, Company Secretary
Email: salim.ghaffar@gulahmed.com UAN: (+92-021) 111-485-485 & 111-486-486 Fax: (+92-021) 5018838

Notice Of Meeting

Notice is hereby given that the 57th Annual General Meeting of Gul Ahmed Textile Mills Limited will be held at the Moosa D. Dessai ICAP Auditorium, Institute of Chartered Accountants of Pakistan, G-31/8, Chartered Accountants Avenue, Clifton, Karachi, on Friday, October 30, 2009 at 10:00 a.m. to transact the following business:

1. To receive, consider and adopt the Directors' Report and Audited Accounts for the year ended June 30, 2009 and Auditors' Report thereon.

2. To appoint Auditors and fix their remuneration.

By Order of the Board

Karachi
October 08, 2009

MOHAMMED SALIM GHAFFAR
Company Secretary

NOTES:

1. Share Transfer Books of the Company will remain closed from October 23, 2009 to October 30, 2009 (both days inclusive).

2. A member entitled to vote at the meeting may appoint a proxy. Proxies in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.

3. Shareholders who have deposited their shares into Central Depository Company of Pakistan Limited, must bring their original Computerized National Identity Card (CNIC) or Original Passport at the time of attending the meeting. If proxies are granted by such shareholders the same must be accompanied with attested copies of the CNIC or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.

4. A proxy must be a member of the Company.

5. Shareholders are requested to immediately notify the change of address, if any.

Directors' Report

Dear Shareholders

The directors are pleased to present the Annual Report and the audited financial statements for the year ended June 30, 2009 together with auditors' report thereon.

Overview of National Economy and the Industry

Fiscal year 2008–2009 was a difficult year as the economic meltdown continued from fiscal year 2007–2008. Several political and economic events, both on domestic and external fronts, were hindrances in achieving growth in business.

As we all know Pakistan has been facing many challenges that have led to further deterioration of the business climate. Issues, such as on going energy crisis, business closures and declining long term foreign investment have been multiplied by Pakistan's role as a front line state in the war on terror. This has led to supply shocks, as well as soaring oil and food prices.

According to the Trade Policy, the trade performance of Pakistan in the year 2008-2009 witnessed unprecedented economic downturn especially in our major markets of exports i.e. USA & EU. Consumption decreased in the developed world and global trade shrank by 9%. The global recession adversely affected exporting countries and Pakistan is no exception to that. Exports from Pakistan declined to US$ 17.8 billion as compared to previous year's exports of US$ 19.1 billion. During 2008-2009, the export of textiles, which accounts for around 54% of Pakistan's total exports, dropped from US$ 10.6 billion to US$ 9.6 billion. The major losers in this regard were Art Silk & Synthetic Textiles, which dropped by 22.1%, Readymade Garments by 21.7%, Cotton Yarn by 15%, Bed linen by 10.2% and Cotton Fabric by 4.0%.

According to the Economic survey of Pakistan the manufacturing sector contributes 18.4% in GDP. The process of deceleration in growth that started in the fiscal year 2004-2005 continued unabated partly because of acute energy shortages and more importantly owing to structural problems. The output of Pakistan's manufacturing sector has contracted by 3.3% in 2008-2009 as compared to expansion of 4.8% last year and against an ambitious target of 6.1%.

However after a critical phase of a weak domestic macroeconomic situation and softened external demand owing to the global financial crisis, Pakistan's economy is now in a recovery phase, foreign exchange reserves have strengthened to USD 14.3 billion from USD 6.5 billion helping to support Pakistan rupee. Significant tangible gains have also been made in improving security environment including successful conclusion of military operation in the Swat valley, which has restored confidence in the national economy.

The textile and clothing industry has been the main driver of the export-based industry for the last 50 years in terms of foreign currency earnings and employment generation. Its share in exports has declined from 66% in 2004 to 53.7% in current financial year.

The recent global economic crisis has impacted trade badly. Moreover, global supply capacities have exceeded more than demand in recent years.

Domestically, the increase in cost of utilities, (power, gas, transport and petrol) has impacted the viability thus forcing the industry to make distress sales. Resultantly all competing countries are making distress sales to sustain their market share. This has also affected Pakistan's textile industry. The industry has, to be facilitated to exploit its full potentials.

Business Review

1. Performance Highlights

During the year under review the Company achieved growth in sales by 18.6% which includes growth in exports of Rs. 1.15 billion and retail sales growth of Rs. 739 million. Gross profit as compared to last fiscal year is more encouraging amounting to Rs. 2.338 billion (2008: Rs.1.775 billion).

However, the increase in cost of sales, distribution expenses and finance cost were the main factors eroding the net profit margin. The profit before taxation is Rs. 170 million (2008: Rs.202 million).

In the current economic environment it is important for the Company to not only maintain but also improve the liquidity position, therefore the Directors have decided to pass over the dividend for the current year.

Operating results of the Company are summarized below:

	Rs. 000s
Profit after providing depreciation/amortization of Rs. 651 million	169,861
Less: Provision for taxation	(89,651)
Profit after tax	80,210
Add: Unappropriated profit brought forward	2,791
Amount available for appropriation	83,001
Appropriations	
Revenue reserve	80,000
Amount carried forward	3,001
	83,001

2. Contribution to National Exchequer

The benefit of your Company's growth and profitability is also shared by the government. The Company incurred a total of Rs. 359 million in 2009 in various federal, provincial and local taxes – an increase of 21% over last year.

3. Environment, Health and Safety

The Company maintains and provides the equipments and working conditions, which are safe and facilitate to mitigate the risks to health of employees and other living beings.

Management is committed for safe environment and is aware of the textile production and environmental issues. For this, we have the waste water treatment plant.

Your Company adopts recognized environment friendly working methods and applies appropriate procedures to design / manufacture textile products so as to ensure that no harmful substances are present in its products. By employing these methods the Company produces the products which do not harm the skin and has been able to comply with the requirements of European legislation regarding use of azo dyes and been certificated under "OEKO Tex Standard 100" confirming the Company's commitment to using harmless dyes and chemicals in its production processes.

4. Human Excellence

Our shared vision enables us to provide a competitive edge via our talented human resource. Gul Ahmed's core values and basic working philosophy includes teamwork. However, great emphasis is now laid upon holding up the business ethics under all circumstances and values like being oriented to customers, responsible, innovative and committed.

5. Funds Management

Your Company is committed to maintain a strong financial profile which gives us the ability to attain our required growth.

The Company has issued right shares @15% at an exercise price of Rs. 40 per share including premium of Rs. 30 per share. The right issue was fully subscribed and the total amount of Rs. 331 million was received in June 2009.

Other than the equity injection our principal sources of financing are cash inflows from operating activities, short term and long term financing obtained from financial institutions. The Company has dedicated treasury and banking departments who have the principal responsibility to keep the funds available as and when required, while keeping the finance cost of the Company as low as possible.

6. Business Risks and Challenges

The Company regularly assesses the risks it faces in order to avoid, mitigate or transfer risks, where possible.

Major threats include deteriorating law and order situation, impact of global economic crisis, sky rocketing inflation and devaluation of local currency, all of which are contributing to increase the cost of doing business.

All these risks require joint efforts by the government and private sector.

7. Code of Corporate Governance

The management of the Company is committed to good corporate governance and complying with the best practices. As required under the Code of Corporate Governance, the Directors are pleased to state as follows:

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

- Proper books of account of the listed Company have been maintained.

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

- International Financial Reporting Standards have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

- The system of internal control is sound in design and has been effectively implemented and monitored. The Audit Committee comprises three members, all members of the Committee are non-executive directors, Chairman is an independent non-executive director.

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

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

- The value of investment of provident fund based on its un –audited accounts as on June 30, 2009 (audit in progress) is Rs. 142 million.

- Statements regarding the following are annexed or are disclosed in the notes to the financial statements:

  - Number of Board meetings held and attendance by directors.

  - Key financial data for the last six years.

  - Pattern of shareholding.

  - Trading in shares of Company by its Directors, Chief Executive, Chief Financial Officer and Company Secretary and their spouses and minor children.

8. Board Changes

During the year under review there was no change in the Board of Directors.

9. Auditors

The present auditors Hyder Bhimji & Co., Chartered Accountants, retire and present themselves for reappointment.

10. Consolidated Financial Statements

Consolidated Financial Statements for the year ended June 30, 2009 of the Company and its subsidiaries Gul Ahmed International Limited (FZC) and GTM (Europe) Limited are attached.

11. Future Outlook

In spite of the difficulties being faced we are determined to grow. We are looking for ways to convert weaknesses and threats into strengths and opportunities. In the current scenario we need to sustain our global positioning and second to increase our market share. This value can be increased only through marked improvement in quality, market tie-ups, image building and change in business philosophy.

In the current year Company has invested Rs. 1.054 billion in the balancing, modernization and replacement (BMR). Benefits of the BMR are highlighted below.

Spinning

The Company upgraded its spinning technology. It enhanced its capacity by 15,800 spindles and has acquired compact devices to ensure quality is up to the mark. We have invested in recycling technologies to mitigate the risk of high raw material costs by installing a small open end and recycling line.

Yarn Dyeing

Your Company has invested in soft winding and rewinding machines in its yarn dyeing unit. This will facilitate dyeing of finer yarn counts.

Weaving

At the end of 2007-08 our old weaving machinery was replaced and state of the art weaving air jet looms were installed from Tsudokoma of Japan. Full benefit of this replacement has been derived not only in the current year but will also continue in subsequent years.

Fabric Processing

In the processing area, the Company has carried out major up-gradation and expansion work in the mercerizing and bleaching departments in order to remove our high quality production bottle necks. One laser exposer has also been installed to improve the efficiency of screen engraving.

Stitching

In order to meet the requirement of our export customers the Company has established metal free zones at its various stitching units to comply with international health and safety standards.

Retail outlets

In the current year eleven new outlets were opened reaching a total of 28 outlets. We expect retail sales will continue to grow.

Power House

To strengthen our power house capacity we have added three new energy efficient generators with a capacity of 4.80 MW, to supplement the existing old gas generators. With this addition total Company wide generating capacity stands at 44 MW.

We look forward to a quick implementation of the first ever Textile Policy whose major thrust is to enhance domestic capabilities and capacities for efficient use of resources through skills development, technology up gradation and provision of infrastructural facilities.

Further, we have applied the best of ourselves to the task at hand and are committed to setting trends globally in the textile industry, through innovation, technology and dedication. We are very hopeful to achieve our targets. The Board of Directors is committed to deliver maximum value to its shareholders.

Acknowledgement

Your directors are pleased to record their appreciation for the continued dedication, commitment and loyalty of the employees of the Company. We also appreciate the assistance and continued support of the various Government Departments and our banks.

For and on behalf of the Board

Karachi
October 5, 2009

BASHIR ALI MOHOMMAD
Chairman & Chief Executive

Financial Performance at a Glance

Profit & loss		2009	2008	2007	2006	2005*	2004
Sales	Rs. Million	13,906	11,726	9,848	8,223	5,876	6,666
Gross profit	Rs. Million	2,338	1,775	1,475	1,286	963	1,045
Operating profit	Rs. Million	1,209	936	745	598	390	392
Profit before tax	Rs. Million	170	202	262	12	122	251
Profit/(oss) after tax	Rs. Million	80	103	164	(35)	76	203

Balance sheet		2009	2008	2007	2006	2005*	2004
Property, plant and equipment	Rs. Million	6,106	5,828	4,703	4,410	4,012	3,470
Intangible	Rs. Million	29	28	30	39	16	–
Long term investment, loans, advances and deposits	Rs. Million	90	78	74	71	69	70
Net current assets	Rs. Million	(390)	(687)	(278)	16	282	150
Total assets employed	Rs. Million	5,835	5,247	4,529	4,537	4,379	3,690
Represented by:							
Share capital	Rs. Million	635	552	552	460	383	341
Reserves	Rs. Million	2,483	2,210	2,107	1,851	1,885	1,852
Shareholders' equity	Rs. Million	3,118	2,762	2,659	2,311	2,269	2,193
Long term loans	Rs. Million	2,567	2,354	1,772	2,151	2,036	1,387
Deferred liabilities	Rs. Million	149	130	98	74	74	111
Total capital Employed	Rs. Million	5,835	5,247	4,529	4,537	4,379	3,690

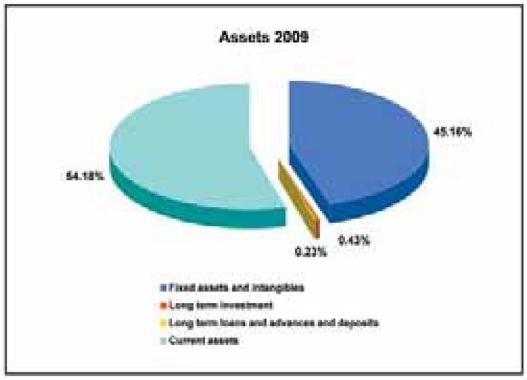
Cash flow statement		2009	2008	2007	2006	2005*	2004
Operating activities	Rs. Million	442	(339)	774	10	449	(1,682)
Investing activities	Rs. Million	(931)	(1,649)	(713)	(813)	(830)	(865)
Financing activities	Rs. Million	398	680	6	412	624	243
Cash and cash equivalents at the end of the year	Rs. Million	(5,233)	(5,141)	(3,832)	(3,900)	(3,509)	(3,751)

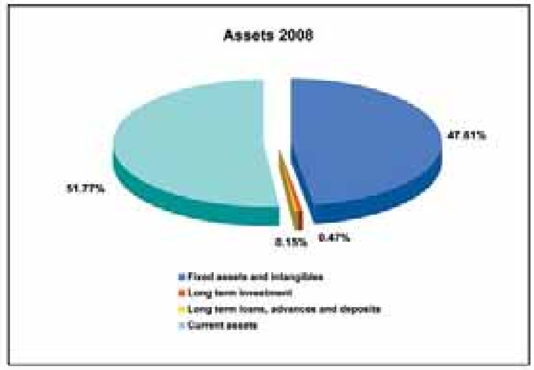
* Results for nine months ended June, 2005.

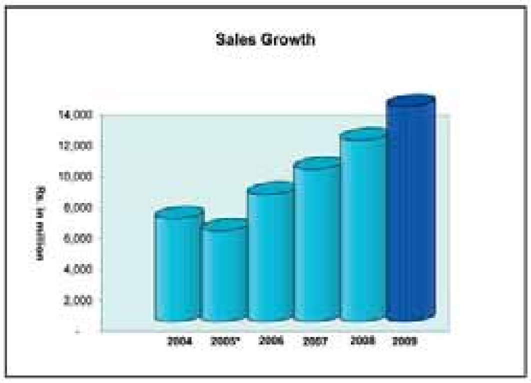
Financial Ratios

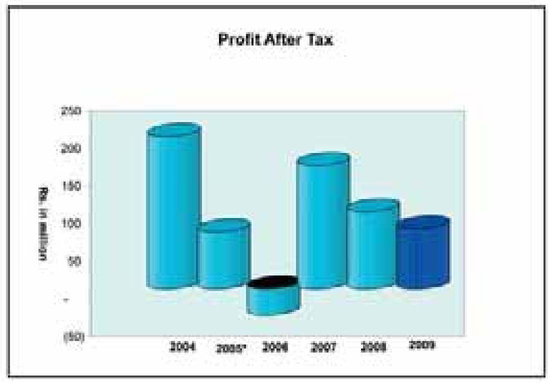
		2009	2008	2007	2006	2005*	2004
Profitability ratios							
Gross profit ratio	%	16.81	15.14	14.98	15.64	16.39	15.67
EBITDA margin to sales	%	13.37	12.49	11.90	12.06	11.32	10.79
Net profit to sales	%	0.58	0.88	1.67	(0.42)	1.29	3.04
Liquidity ratios							
Current ratio		0.95	0.90	0.95	1.00	1.05	1.03
Quick/acid test ratio		0.39	0.42	0.47	0.47	0.54	0.58
Finance gearing							
Debt: equity ratio		0.98	1.07	0.85	1.06	0.93	0.68
Rate of return							
Return on equity	%	2.73	3.79	6.62	(1.51)	3.40	9.46
Return on capital employed	%	21.82	19.14	16.45	13.42	9.66	11.41
Interest cover ratio		1.16	1.28	1.54	1.02	1.45	2.78
Capital efficiency							
Inventory turnover	Days	107	95	104	130	124	97
Debtor turnover	Days	66	72	74	84	93	84
Creditor turnover	Days	76	61	56	82	87	106
Fixed assets turnover ratio		2.27	2.00	2.08	1.85	1.46	1.92
Total assets turnover ratio		1.07	1.05	0.98	0.83	0.62	0.87
Investor information							
Earnings per share	Rupees	1.45	1.86	3.11	(0.68)	1.53	4.08
Price earning ratio		26.79	21.51	14.68	(60.29)	36.34	17.16
Cash dividend per share	Rupees	–	1.00	–	–	–	–
Bonus shares issues	%	–	–	–	–	10.00	12.50
Dividend payout ratio	%	–	53.68	–	–	–	–
Dividend cover ratio	Times	–	1.87	–	–	–	–
Break-up value per share	Rupees	49.12	50.04	48.17	50.24	59.19	64.36
Market value per share							
At the end of the year	Rupees	38.84	40.00	45.65	41.00	55.60	70.00
High during the year	Rupees	49.00	51.40	49.90	67.95	104.10	83.65
Low during the year	Rupees	28.60	37.25	23.75	25.50	49.50	46.00
EBITDA	Rs. million	1,860	1,465	1,171	991	665	720

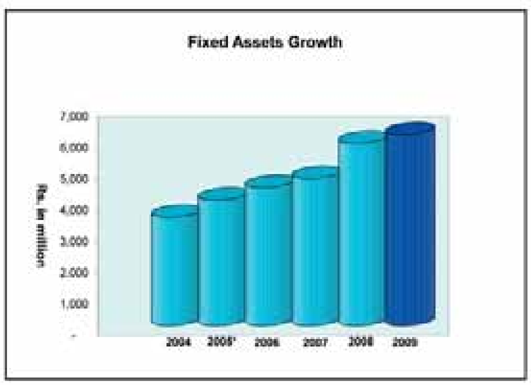
* Results for nine months ended June, 2005.

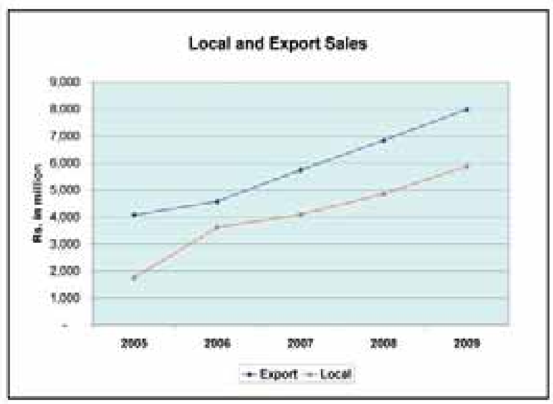

Assets 2009
45.16%
54.18%
0.43%
0.23%
Fixed assets and intangibles
Long term investment
Long term loans and advances and deposits
Current assets

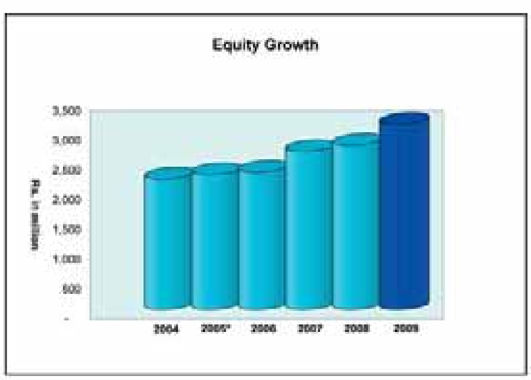

Assets 2008
47.61%
51.77%
0.15%
0.47%
Fixed assets and intangibles
Long term investment
Long term loans, advances and deposits
Current assets

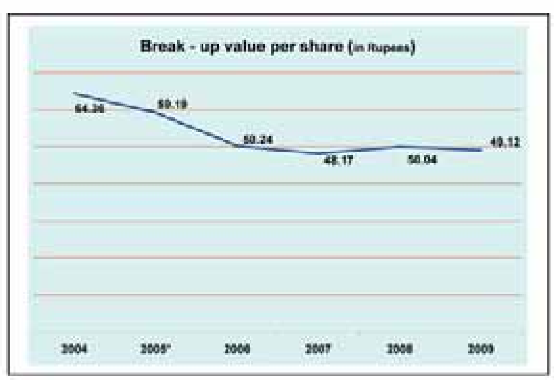

Sales Growth
Rs. in million
14,000
12,000
10,000
8,000
6,000
4,000
2,000
-
2004 2005* 2006 2007 2008 2009


Profit After Tax
Rs. in million
250
200
150
100
50
-
(50)
2004 2005* 2006 2007 2008 2009


Fixed Assets Growth
Rs. in million
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
2004 2005* 2006 2007 2008 2009


Local and Export Sales
Rs. in million
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
2005 2006 2007 2008 2009
Export
Local


Equity Growth
Rs. in million
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2004 2005* 2006 2007 2008 2009


Break - up value per share (in Rupees)
64.36
59.19
50.24
48.17
50.04
49.12
2004 2005* 2006 2007 2008 2009

Our Value Addition and its Distribution

	2009		2008	
	Rs. '000	%	Rs. '000	%
Value Addition				
Net sales	13,906,465	99.81	11,725,851	99.84
Other operating income	26,277	0.19	18,250	0.16
	13,932,742	100.00	11,744,101	100.00
Value Distribution				
Cost of sales (Excluding employees' remuneration)	9,792,914	70.28	8,570,518	72.96
Distribution and Administration expenses (Excluding employees' remuneration)	761,065	5.46	542,029	4.62
Employees' remuneration	1,930,631	13.86	1,533,351	13.06
Government taxes (includes income tax, WPPF, WWF, duties, federal & provincial taxes, etc.)	328,932	2.36	261,526	2.23
Providers of capital (Finance cost)	1,038,990	7.46	733,839	6.25
Profit retained	80,210	0.58	102,838	0.88
	13,932,742	100.00	11,744,101	100.00

Horizontal Analysis of Financial Statements

	2009	2008	2007	Variance % 2009	Variance % 2008
		Rupees. in '000			
Balance sheet					
Total equity	3,118,232	2,762,029	2,659,191	12.90	3.87
Total non-current liabilities	2,715,884	2,484,561	1,869,832	9.31	32.88
Total current liabilities	7,749,618	7,085,112	5,480,926	9.38	29.27
Total equity and liabilities	13,583,734	12,331,702	10,009,949	10.15	23.19
Total non-current assets	6,224,462	5,933,390	4,807,233	4.91	23.43
Total current assets	7,359,272	6,398,312	5,202,716	15.02	22.98
Total assets	13,583,734	12,331,702	10,009,949	10.15	23.19
Profit & loss account					
Net sales	13,906,465	11,725,851	9,847,754	18.60	19.07
Cost of sales	(11,568,139)	(9,951,072)	(8,372,437)	16.25	18.86
Gross profit	2,338,326	1,774,779	1,475,317	31.75	20.30
Distribution expenses	(452,791)	(278,966)	(249,859)	62.31	11.65
Administrative Expenses	(685,566)	(563,336)	(473,867)	21.70	18.88
Other expenses	(17,395)	(15,050)	(19,891)	15.58	(24.34)
Other income	26,277	18,250	13,759	43.98	32.64
Operating profit	1,208,851	935,677	745,459	29.20	25.52
Financial expenses	(1,038,990)	(733,839)	(483,268)	41.58	51.85
Profit before taxation	169,861	201,838	262,191	(15.84)	(23.02)
Income tax expense	(89,651)	(99,000)	(97,791)	(9.44)	1.24
Profit for the year	80,210	102,838	164,400	(22.00)	(37.45)

Vertical Analysis of Financial Statements

	2009		2008		2007	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Balance sheet						
Total equity	3,118,232	22.96	2,762,029	22.40	2,659,191	26.57
Total non-current liabilities	2,715,884	19.99	2,484,561	20.15	1,869,832	18.68
Total current liabilities	7,749,618	57.05	7,085,112	57.45	5,480,926	54.75
Total equity and liabilities	13,583,734	100.00	12,331,702	100.00	10,009,949	100.00
Total non-current assets	6,224,462	45.82	5,933,390	48.11	4,807,233	48.02
Total current assets	7,359,272	54.18	6,398,312	51.89	5,202,716	51.98
Total assets	13,583,734	100.00	12,331,702	100.00	10,009,949	100.00
Profit & loss account						
Net sales	13,906,465	100.00	11,725,851	100.00	9,847,754	100.00
Cost of sales	(11,568,139)	(83.19)	(9,951,072)	(84.86)	(8,372,437)	(85.02)
Gross profit	2,338,326	16.81	1,774,779	15.14	1,475,317	14.98
Distribution expenses	(452,791)	(3.26)	(278,966)	(2.38)	(249,859)	(2.54)
Administrative Expenses	(685,566)	(4.93)	(563,336)	(4.80)	(473,867)	(4.81)
Other expenses	(17,395)	(0.13)	(15,050)	(0.13)	(19,891)	(0.20)
Other income	26,277	0.19	18,250	0.16	13,759	0.14
Operating profit	1,208,851	8.69	935,677	7.98	745,459	7.57
Financial expenses	(1,038,990)	(7.47)	(733,839)	(6.26)	(483,268)	(4.91)
Profit before taxation	169,861	1.22	201,838	1.72	262,191	2.66
Income tax expense	(89,651)	(0.64)	(99,000)	(0.84)	(97,791)	(0.99)
Profit for the year	80,210	0.58	102,838	0.88	164,400	1.67

Statement Of Compliance With The Code Of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing the minority interest on its Board of Directors. At present the Board includes one independent non-executive director and four non-executive directors.

2. The directors have confirmed that none of them is serving as a 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. None of the directors is a member of a stock exchange.

4. No casual vacancy occurred in the Board during the year.

5. The Company has prepared "Statement of Ethics and Business Practices", which has been signed by the six directors out of nine directors and other managerial and secretarial staff of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

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

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, 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. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Company had last year provided to the Board Members copies of “Guidelines for Directors on Strengthening Corporate Governance” received from International Finance Corporation (IFC). There has been no update since then.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions 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 CEO and CFO before 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. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises three members, all members of the Committee are non-executive directors, Chairman is an independent non-executive director.

16. The meetings of the audit committee were held at least once 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 programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulations of the Karachi and Lahore Stock Exchanges.

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

BASHIR ALI MOHOMMAD
Chairman and Chief Executive

ZAIN BASHIR
Director

Karachi
October 5, 2009

Review Report To The Members On 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 for the year ended June 30, 2009 prepared by the Board of Directors of Gul Ahmed Textile Mills Limited to comply with the Listing Regulations of the respective Stock Exchanges, 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 systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub – Regulation (xiii a) of Listing Regulations 35 (Previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the board of directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transaction 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 undertaken at arm's length price or not.

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 respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2009.

Karachi	**HYDER BHIMJI & CO.**
October 05, 2009	Chartered Accountants

Auditors' Report To The Members

We have audited the annexed Balance Sheet of GUL AHMED 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 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the 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 and 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 profits, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without qualifying our opinion, we draw your attention to Note 11.4 of the annexed financial statements which fully describes the nature of the contingency and the Company's contention on the issue which gives a rise with regard to ability of the Company to continue as a going concern. Consequently these accounts have been prepared on going concern basis pending the outcome of the decision of the Honorable Sindh High Court.

HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Hyder Ali Bhimji

Karachi
October 05, 2009

Balance Sheet As At June 30, 2009

	Note	2009	2008
		Rs. 000s	
SHARE CAPITAL AND RESERVES			
Authorised capital		750,000	750,000
75,000,000 ordinary shares of Rs.10 each			
Issued, subscribed and paid-up capital	4	634,785	551,987
Reserves	5	2,400,446	2,102,052
Unappropriated profit		83,001	107,990
		3,118,232	2,762,029
NON-CURRENT LIABILITIES			
Long term financing	6	2,566,604	2,354,317
Deferred liabilities	7	149,280	130,244
CURRENT LIABILITIES			
Trade and other payables	8	1,735,918	1,135,427
Accrued interest	9	178,405	146,229
Short term borrowings	10	5,332,208	5,209,785
Current maturity of long term loans		503,087	593,671
		7,749,618	7,085,112
CONTINGENCIES AND COMMITMENTS	11		
		13,583,734	12,331,702

	Note	2009	2008
		Rs. 000s	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	6,105,833	5,827,621
Intangible assets	13	28,883	28,215
Long term investment	14	58,450	58,450
Long term loans and advances	15	2,262	3,505
Long term deposits		29,034	15,599
		6,224,462	5,933,390
CURRENT ASSETS			
Stores, spares and loose tools	16	447,063	485,957
Stock-in-trade	17	3,886,171	2,915,550
Trade debts	18	2,532,581	2,490,258
Loans and advances	19	145,431	124,475
Prepayments	20	33,931	40,633
Accrued interest	21	18,598	17,975
Other receivables	22	142,151	188,965
Tax refunds due from government	23	53,679	65,465
Cash and bank balances	24	99,667	69,034
		7,359,272	6,398,312
		13,583,734	12,331,702

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

BASHIR ALI MOHOMMAD
Chairman and Chief Executive

ZAIN BASHIR
Director

Profit And Loss Account

For The Year Ended June 30, 2009

	Note	2009	2008
		Rs. 000s	
Sales	25	13,906,465	11,725,851
Cost of sales	26	11,568,139	9,951,072
Gross profit		2,338,326	1,774,779
Distribution cost	27	452,791	278,966
Administrative expenses	28	685,566	563,336
Other operating expenses	29	17,395	15,050
Other operating income	30	(26,277)	(18,250)
Operating profit		1,208,851	935,677
Finance cost	31	1,038,990	733,839
Profit for the year before taxation		169,861	201,838
Provision for taxation	32	89,651	99,000
Profit for the year after taxation		80,210	102,838
Earnings per share (Rs.)	33	1.45	1.86

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

BASHIR ALI MOHOMMAD
Chairman and Chief Executive

ZAIN BASHIR
Director

Cash Flow Statement

For The Year Ended June 30, 2009

	2009	2008
	Rs. 000s	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year before taxation	169,861	201,838
Adjustments for:		
Depreciation/amortization	650,570	529,132
Gratuity	8,634	2,724
Finance cost	1,038,990	733,839
Provision for slow moving/obsolete items	1,736	450
Provision for doubtful debts	5,031	831
Fixed assets scrapped	1,122	–
Profit on sale of operating assets	(12,715)	(7,382)
	1,863,229	1,461,432
Changes in working capital:		
(Increase)/decrease in current assets		
Stores, spares and loose tools	37,158	(99,129)
Stock-in-trade	(970,621)	(661,406)
Trade debts	(47,354)	(326,418)
Loans and advances	(16,174)	(32,115)
Prepayments	6,702	(21,583)
Accrued interest	(623)	(15,549)
Other receivables	46,814	20,122
Tax refunds due from government	11,786	(17,249)
	(932,312)	(1,153,327)
Increase in current liabilities		
Trade and other payables	600,491	107,809
	(331,821)	(1,045,518)
Cash generated from operations	1,531,408	415,914
Payments for/receipts from:		
Gratuity	(4,098)	(3,305)
Finance cost	(1,006,814)	(684,809)
Income tax paid	(79,933)	(68,360)
Long term loans and advances	1,243	1,438
Net cash generated from/(used in) operating activities	441,806	(339,122)
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(946,983)	(1,667,421)
Addition to intangible assets	(14,456)	(12,295)
Proceeds from sale of operating assets	43,582	35,390
Long term deposits	(13,435)	(5,020)
Net cash used in investing activities	(931,292)	(1,649,346)

	2009	2008
	Rs. 000s	
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term loans	524,442	1,405,645
Repayments of long term loans	(402,739)	(725,564)
Dividend paid	(55,199)	–
Right shares subscription	331,192	–
Net cash generated from financing activities	397,696	680,081
Net decrease in cash and cash equivalents	(91,790)	(1,308,387)
Cash and cash equivalents - at the beginning of the year	(5,140,751)	(3,832,364)
Cash and cash equivalents - at the end of the year	(5,232,541)	(5,140,751)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

	2009	2008
Cash and bank balances	99,667	69,034
Short term borrowings	(5,332,208)	(5,209,785)
	(5,232,541)	(5,140,751)

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

BASHIR ALI MOHOMMAD
Chairman and Chief Executive

ZAIN BASHIR
Director

Statement Of Changes In Equity

For The Year Ended June 30, 2009

Rs. 000s

	Share capital	Revenue reserve	Capital reserve	Unappropriated profit	Total
Balance as at June 30, 2007	551,987	1,740,000	202,052	165,152	2,659,191
Transfer to revenue reserve	–	160,000	–	(160,000)	–
Profit for the year	–	–	–	102,838	102,838
Balance as at June 30, 2008	551,987	1,900,000	202,052	107,990	2,762,029
Transfer to revenue reserve	–	50,000	–	(50,000)	–
Final dividend for the year ended June 30, 2008	–	–	–	(55,199)	(55,199)
Issued of right shares	82,798	–	248,394	–	331,192
Profit for the year	–	–	–	80,210	80,210
Balance as at June 30, 2009	634,785	1,950,000	450,446	83,001	3,118,232

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

BASHIR ALI MOHOMMAD
Chairman and Chief Executive

ZAIN BASHIR
Director

Notes To The Accounts
For The Year Ended June 30, 2009

1. THE COMPANY AND ITS OPERATIONS

1.1 Gul Ahmed Textile Mills Limited was incorporated in 1953 in Pakistan as a private limited company, converted into public limited company in 1955 and was listed on Karachi and Lahore Stock Exchanges in 1970 and 1971 respectively. Gul Ahmed is a composite textile mill and is engaged in the manufacture and sale of textile products.

The Company's registered office is situated at Plot No. 82, Main National Highway, Landhi, Karachi.

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 such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Initial application of standards or interpretation

Standards, interpretations and amendments effective during the year

IFRS 7 – Financial instruments: Disclosures, requires extensive disclosures about the significance of financial instruments of the Company's financial position, performance, quantitative and qualitative disclosures on the nature and extent of risks. Adoption of this standard has resulted in additional disclosures.

IAS 29 – Financial Reporting in Hyperinflationary Economies: The Company does not have any operations in hyperinflationary economies and therefore the application of the standard is not likely to effect the Company's financial statements.

IFRIC 13 Customer loyalty programmes: addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The interpretation is not likely to have any effect on the Company's financial statements.

IFRIC 14 IAS 19 – the limit on defined benefit asset, minimum funding requirements and their interaction. The interpretation 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 is not likely to have any effect on the Company's financial statements.

New standards, interpretations and amendments that are relevant but not yet effective

Following accounting standards, amendments and interpretations to approved accounting standards have been published that are mandatory to Company's accounting periods beginning on or after the dates mentioned below:

Revised IAS 1 – "Presentation of Financial Statements" (effective for period beginning on or after January 01, 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, or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 – "Borrowing Costs" (effective for period beginning on or after January 01, 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 asset as part of the cost of that asset.

IAS 27 – "Consolidated and separate financial statements" (effective for period beginning on or after January 01, 2009). The amendment removes the definition of the cost method from IAS 27and replaces it with the requirement to present dividends as income in the separate financial statements of the investor.

The IAS also requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with gain or loss recognized in the profit or loss.

Amendments to IAS 32 - "Financial Instruments: Presentation" (effective for period beginning on or after January 01, 2009). Putt able financial instruments and obligations arising on liquidation requires putt able 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.

Amendments to IAS 39 – "Financial Instruments: Recognition and measurement" (effective for period beginning on or after July 01, 2009). It clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

IFRS 5 (Amendment) – "Non – current assets held - for - sale and discontinued operations" (effective for period beginning on or after July 01, 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if partial disposal sale plan results in loss of control.

IFRS 7 (Amendment) – "Improving disclosures about Financial Instruments" (effective for period beginning on or after January 01, 2009). The amendment introduces a three level hierarchy for fair value measurement disclosures and requires entities to provide additional disclosures about the relative reliability of fair value measurements.

IFRS 8 – "Operating segments" (effective for period beginning on or after January 01, 2009) introduces the management's approach to segment reporting. It will require a change in presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's chief operating decision maker in order to assess each segment's performance and to allocate resources to them.

IFRIC 17 – "Distributions of non – cash assets to owners" (effective for period beginning on or after July 01, 2009). It 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.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is the Company's functional currency.

2.4 Critical accounting estimates and judgments

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

1) Defined Benefit Plan (note 7.1)
2) Contingencies (note 11)
3) Useful life and residual value of fixed assets (note 12)
4) Provision for slow moving/obsolete items (note 16)
5) Stock in Trade (note 17)
6) Provision for doubtful trade debts (note 18)
7) Provision for taxation (note 32)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

Accounts of the Company have been prepared on historical cost convention except as has been stated below in respective policy notes.

3.2 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements.

Foreign currency transactions are translated into Pak Rupees at the rates ruling on the transaction date or as fixed under contractual arrangements.

Exchange differences are included in current year's income

3.3 Borrowing cost

Mark-up, interest and other charges on loans are capitalized upto the date of commissioning of the respective qualifying assets. All other mark-up, interest, profit and other charges are charged to income.

3.4 Retirement benefits

Defined benefit plan

The Company operates unfunded gratuity schemes for all its eligible employees who are not part of the provident fund scheme.

The Company accounts for gratuity provision on the basis of actuarial valuation on projected unit credit method. The actuarial gains and losses arising at each valuation date are recognised immediately in the profit and loss account.

Staff retirement benefits are payable to employees on completion of the prescribed qualifying period of service under the scheme.

Defined Contribution Plan

The Company operates an approved funded contributory provident fund for its eligible employees to which equal monthly contribution is made by the Company and the employees.

3.5 Employee compensated absences

The Company provides for compensated absences for all eligible employees in the period in which these are earned in accordance with the rules of the Company.

3.6 Provisions

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

3.7 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after considering tax credits and rebates, if any.

Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statement and their tax base. This is recognised on the basis of the expected manner of the realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable the future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

3.8 **Property, plant and equipment**

Operating assets

These are stated at cost less accumulated depreciation and impairment, if any except leasehold land which is stated at cost. No amortisation is provided on leasehold land since the lease is renewable at the option of the lessee. Depreciation is charged on reducing balance method at rates specified in the respective note. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year and no depreciation is charged on assets in the year of their disposal. Gains and losses on disposal of fixed assets are included in current year's income.

During the year the Company has changed its accounting estimate for charging depreciation on structures on leasehold property. Previously depreciation was charged on structures on leasehold property using reducing balance method @10% per annum. Effective July 01, 2008, the cost of such structures on leasehold property is amortized over the respective period of lease term.

Had this revision not been made, profit after taxation for the current year would have been lower by Rs. 0.6 million, the aggregate net book value of building on leasehold land would have been lower by Rs. 0.6 million, and the profit after taxation for future period would have been higher by Rs. 10 million.

Capital work-in-progress

Capital work-in-progress is stated at cost.

3.9 **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation. Amortisation is charged over the useful life of the assets on a systematic basis to income applying the straight line method at the rate specified in the respective note.

3.10 **Investments**

Investment in related parties

Investments are initially measured at cost. At subsequent reporting dates, the Company reconsiders the carrying amount of the investments to assess whether there is any indication of impairment loss. If such indication exists, the carrying amount is reduced to recoverable amount and the difference is recognized as an expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount. The reversal of such impairment loss is recognized as an income not exceeding the amount of original cost.

Investments available for sale

These are stated at fair value and changes in carrying values are recognized in equity until investment is sold or determined to be impaired at which time accumulated gain or loss previously recognized in equity is included in profit and loss account for the year.

Investments held to maturity

These are stated at amortized cost, less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment losses are charged to profit and loss account.

3.11 **Stores, spares and loose tools**

These are stated at average cost less slow moving provision and goods-in-transit are stated at actual cost.

3.12 **Stock-in-trade**

Raw materials are valued at lower of weighted average cost and net realisable value. Finished goods are valued at lower of average manufacturing cost and net realisable value. Work-in-process is valued at average cost of raw materials plus a proportion of the production overheads. Waste products are valued at net realisable value. Goods-in-transit are stated at actual cost.

3.13 Trade debts

Trade debts are carried at original invoice amount except export receivables. These are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements. Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

3.14 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.15 Financial assets and liabilities

All financial assets and 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, or cost, as the case may be.

3.16 Derivative financial instruments

The Company uses derivative financial instruments to hedge its risks associated with interest and exchange rate fluctuations. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of the derivative financial instruments is taken to the profit and loss account.

3.17 Offsetting of financial assets and liabilities

All financial assets and financial liabilities are 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 settle the liabilities simultaneously.

3.18 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

3.19 Revenue recognition

Revenue from sales of goods is recorded on dispatch of goods.
Returns on deposits and investments are recognized on accrual basis.

3.20 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprises short term investment, cash and cheques in hand, with banks on current, savings and deposit accounts, running finance under mark-up arrangements and short-term finance.

3.21 Dividend and appropriation to reserves

Dividend and appropriation to reserves is recognized in the financial statements in the period in which these are approved.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2009	2008		2009	2008
			Rs. 000s	
38,797,566	30,517,756	Ordinary shares of Rs.10 each fully paid in cash	387,975	305,177
5,447,326	5,447,326	Ordinary shares of Rs.10 each fully paid under scheme of arrangement for amalgamation	54,473	54,473
19,233,656	19,233,656	Ordinary shares of Rs.10 each issued as fully paid bonus shares	192,337	192,337
63,478,548	55,198,738		634,785	551,987

4.1 Reconciliation of the number of shares outstanding

	2009	2008
	(Numbers of shares)	
Number of shares outstanding at the beginning of the year	55,198,738	55,198,738
Add: 15% Right issue of shares during the year	8,279,810	–
	63,478,548	55,198,738

5. RESERVES

	2009	2008
Revenue reserve		
General reserve	1,900,000	1,740,000
Add: Transfer from profit and loss account	50,000	160,000
(This represents appropriation of profit in past years to meet future exigency)	1,950,000	1,900,000
Capital reserve		
Share premium	180,493	180,493
Add: Premium on right shares issued during the year	248,394	–
	428,887	180,493
Book difference of share capital under scheme of arrangement for amalgamation	21,559	21,559
	450,446	202,052
	2,400,446	2,102,052

6. LONG TERM FINANCING - SECURED

	Note	Number of Installments and commencement Month	Installment amount (Rs. 000s)	Mark-up rate per annum	2009	2008
					Rs. 000s	
Habib Bank Limited Loan 3 Under State Bank of Pakistan (SBP) scheme of Long Term Finance - Export Oriented Projects (LTF-EOP)	6.1, 6.5	5 half yearly April-2007	116,666	6.00% p.a. payable quarterly	116,666	233,332
Habib Bank Limited Loan 4	6.1, 6.5					
a) Under LTF-EOP scheme		12 half yearly June-2010	5,416	7.00% p.a. payable quarterly	64,995	64,995
b) Under LTF-EOP scheme		12 half yearly May-2010	4,450	7.00% p.a. payable quarterly	53,405	53,405
Habib Bank Limited Loan 5 Under LTF-EOP scheme	6.1, 6.5	12 half yearly December-2010	2,571	7.00% p.a. payable quarterly	30,851	30,851

	Note	Number of Installments and commencement Month	Installment amount (Rs. 000s)	Mark-up rate per annum	2009	2008
					Rs. 000s	
Habib Bank Limited Loan 6 Under LTF-EOP scheme	6.1	12 half yearly February-2010	9,510	7.00% p.a. payable quarterly	114,122	114,122
Habib Bank Limited Loan 7 Under LTF-EOP scheme	6.1, 6.5	12 half yearly January-2010	778	7.00% p.a. payable quarterly	9,332	9,332
Habib Bank Limited Loan 8	6.1					
a) Under LTF-EOP scheme		12 half yearly January-2010	1,698	7.00% p.a. payable quarterly	20,376	20,376
b) Under LTF-EOP scheme		12 half yearly February-2010	139	7.00% p.a. payable quarterly	1,663	1,663
Habib Bank Limited Loan 9	6.1	Repaid during the year	–		–	4,192
Habib Bank Limited Loan 10 Under State Bank of Pakistan (SBP) scheme of Long Term Financing Facility (LTFF)	6.1	16 half yearly July-2011	11,054	10.00% p.a. payable quarterly	176,866	–
Habib Bank Limited Loan 11 Under LTFF scheme	6.1	16 half yearly August-2011	562	10.00% p.a. payable quarterly	8,995	–
Habib Bank Limited Loan 12 Under LTFF scheme	6.1	16 half yearly October-2011	710	10.00% p.a. payable quarterly	11,359	–
United Bank Limited Loan 1	6.3	Repair during the year	–	Six month T-Bill+1.00% Payable half yearly	–	25,000
United Bank Limited Loan 2 Original Loan due in September 2008 rolled over for the period of five years.	6.3	10 half yearly March-2009	50,000	8.3% fixed rate plus 0.85% upto September-2008 and three months KIBOR+ 1.00% after roll over date payable half yearly	450,000	500,000
United Bank Limited Loan 3 Under LTF-EOP scheme	6.3, 6.5	12 half yearly April-2010	931	7.00% p.a. payable quarterly	11,172	11,172
United Bank Limited Loan 4	6.3	6 half yearly August-2010	48,199	Average six months KIBOR Ask rate+1.00% payable half yearly	289,192	289,192
United Bank Limited Loan 5 Under LTFF scheme	6.3	16 half yearly November-2010	363	10.00% p.a. payable quarterly	5,806	5,806
United Bank Limited Loan 6	6.3	6 half yearly March-2011	25,000	Average six months KIBOR Ask rate+1.25% payable half yearly	150,000	–

	Note	Number of Installments and commencement Month	Installment amount (Rs. 000s)	Mark-up rate per annum	2009	2008
					Rs. 000s	
National Bank of Pakistan Loan1	**6.3**	6 half yearly December-2007	43,988	Average six months KIBOR Ask rate+1.25% Payable half yearly	87,976	175,952
National Bank of Pakistan Loan 1-A Under LTF-EOP scheme	**6.3, 6.5**	7 half yearly June-2007	62,296	7.00% p.a. payable quarterly	186,888	249,184
National Bank of Pakistan Loan 2	**6.1**	6 half yearly September-2008	24,295	Average six months KIBOR Ask rate+1.50% Payable half yearly	97,178	145,767
National Bank of Pakistan Loan 2-A Under LTF-EOP scheme	**6.1, 6.5**	6 half yearly September-2008	5,706	7.00% p.a. payable quarterly	28,528	34,233
National Bank of Pakistan Loan 3	**6.3**	25 quarterly September-2009	4,000	Average three months KIBOR Ask rate+1.00% Payable quarterly	100,000	100,000
Bank Al-Habib Limited Loan 1 Under LTF-EOP scheme	**6.2, 6.5**	12 half yearly December-2008	2,315	7.00% p.a. payable quarterly	25,460	27,775
Habib Metropolitan Bank Loan 1 a) Under LTF-EOP scheme	**6.2, 6.5**	12 half yearly March-2010	684	7.00% p.a. payable quarterly	8,200	8,200
b) Under LTF-EOP scheme		12 half yearly April-2010	2,042	7.00% p.a. payable quarterly	24,500	24,500
Habib Metropolitan Bank Loan 2 Under LTF-EOP scheme	**6.2, 6.5**	12 half yearly November-2010	19,417	7.00% p.a. payable quarterly	233,000	233,000
HSBC Bank Middle East Ltd Loan 1 a) Under LTF-EOP scheme	**6.2, 6.5**	12 half yearly October-2010	2,883	7.00% p.a. payable quarterly	34,599	34,599
b) Under LTF-EOP scheme		12 half yearly November-2010	1,038	7.00% p.a. payable quarterly	12,451	12,451
HSBC Bank Middle East Ltd Loan 2 Under LTF-EOP scheme	**6.2, 6.5**	12 half yearly December-2010	1,838	7.00% p.a. payable quarterly	22,061	22,061
HSBC Bank Middle East Ltd Loan 3 Under LTF-EOP scheme	**6.2**	12 half yearly January-2010	875	7.00% p.a. payable quarterly	10,497	10,497
HSBC Bank Middle East Ltd Loan 4 Under LTF-EOP scheme	**6.2**	12 half yearly March-2010	844	7.00% p.a. payable quarterly	10,129	10,129

	Note	Number of Installments and commencement Month	Installment amount (Rs. 000s)	Mark-up rate per annum	2009	2008
					Rs. 000s	
Allied Bank Limited Loan 1	6.3	12 quarterly March-2010	16,667	Average three months KIBOR Ask rate+1.00% payable quarterly	200,000	200,000
Allied Bank Limited Loan 2 Under LTFF scheme	6.3	32 quarterly July-2010	9,256	10.00% p.a. payable quarterly	296,201	296,201
Meezan Bank Ltd. Diminishing Musharaka 1	6.3	6 half yearly February-2011	15,266	Average six months KIBOR Ask rate+1.00% payable half yearly	91,594	–
Meezan Bank Ltd. Diminishing Musharaka 2	6.3	6 half yearly June-2011	1,449	Average six months KIBOR Ask rate+1.50% payable half yearly	8,696	–
Meezan Bank Ltd. Diminishing Musharaka 3	6.3	6 half yearly July-2011	5,253	Average six months KIBOR Ask rate+1.50% payable half yearly	31,516	–
NIB Bank Limited Under LTFF scheme	6.3	16 quarterly June-2010	2,839	9.00% p.a. payable quarterly	45,417	—
					3,069,691	2,947,988
Current portion shown under current liabilities					(503,087)	(593,671)
					2,566,604	2,354,317

6.1 These loans are secured by first pari passu charge over present and future fixed assets of the Company and equitable mortgage over land and building.

6.2 These loans are secured by hypothecation charge over specified machinery.

6.3 These loans are secured by way of pari passu charge over the fixed assets of the Company.

6.4 Habib Metropolitan Bank is a related party.

6.5 Grace period of one year in payment of principle outstanding under LTF-EOP facilities was allowed by the banks as per State Bank of Pakistan SMEFD Circular No. 01 dated January 22, 2009.

	2009	2008
	Rs. 000s	
7. DEFERRED LIABILITIES		
Deferred taxation - 7.1	139,273	124,773
Deferred liability for staff gratuity - 7.2.1	10,007	5,471
	149,280	130,244

7.1 Deferred taxation

Credit/(debit) balances arising in respect of timing differences relating to:

	2009	2008
Accelerated tax depreciation allowance	146,197	130,510
Provision for gratuity	(1,051)	(574)
Provision for doubtful debts	(3,027)	(2,499)
Provision for slow moving items	(2,846)	(2,664)
	139,273	124,773

	2009	2008
	Rs. 000s	

7.2 DEFERRED LIABILITY FOR STAFF GRATUITY

7.2.1 Movement in liability

	2009	2008
Balance as at July 01	5,471	6,052
Charge for the year - note 7.2.3	8,634	2,724
Payments to the fund	(4,098)	(3,305)
Balance as at June 30	10,007	5,471

7.2.2 Changes in present value of defined benefit obligation

	2009	2008
Balance as at July 01	5,471	6,052
Current service cost	7,193	2,190
Interest cost	2,120	654
Actuarial gain	(679)	(120)
Benefits paid	(4,098)	(3,305)
Balance as at June 30	10,007	5,471

7.2.3 Charge for the year

	2009	2008
Current service cost	7,193	2,190
Interest cost	2,120	654
Actuarial gain	(679)	(120)
	8,634	2,724

7.2.4 Principal actuarial assumptions

	2009	2008
Expected rate of increase in salaries (% per annum)	12	12
Discount rate (% per annum)	15	15

8. TRADE AND OTHER PAYABLES

	2009	2008
Creditors	1,122,833	785,634
Due to associated undertaking	16,269	10,359
Murabaha (note 8.1)	199,220	4,600
Accrued expenses	343,593	272,229
Advance from customers	18,927	38,498
Advance from related parties	10,322	–
Workers' profit participation fund (note 8.2)	10,290	12,107
Unclaimed dividend	429	351
Others	14,035	11,650
	1,735,918	1,135,427

8.1 Murabaha is secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. Unavailed murabaha facility at the year end was Rs. 301 million (2008: Rs. 495 million). The effective rate of profit ranges from 7.5% to 18.14% (2008: 7.5% to 10.35%).

8.2 Workers' profit participation fund

	2009	2008
Opening balance as at July 1	12,107	14,172
Provision for the year	9,123	10,840
Interest for the year	1,167	1,267
	22,397	26,279
Less: Payments made during the year	12,107	14,172
Closing balance as at June 30	10,290	12,107

	2009	2008
	Rs. 000s	
9. ACCRUED INTEREST		
Mark-up on long term loans (secured)	64,071	51,842
Mark-up on short term borrowings (secured)	114,334	94,387
	178,405	146,229
10. SHORT TERM BORROWINGS - SECURED		
Short term bank borrowings	4,976,180	4,894,555
Short term running finance	356,028	315,230
	5,332,208	5,209,785

Short term borrowings are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. Unavailed facility at the year end was Rs. 2,278 million (2008: Rs. 3,311 million). The facility for short term borrowings mature within twelve months. Short term borrowings include Rs. 601 million (2008: Rs. 484 million) from related party.

Mark-up rates range from 3.68% to 18.52% (2008: 3.28% to 15.44%) per annum.

11. CONTINGENCIES AND COMMITMENTS

11.1 Company owns and possesses a plot of land measuring 44 acres in Deh Khanto, which is appearing in the books at a cost of Rs. 64 million. Company holds title deeds of the land which are duly registered in its name. Ownership of the land has been challenged in the Sindh High Court by some claimants who claim to be the owners, as this land was previously sold to them and subsequently resold to the Company. The claim of the alleged owners is fictitious. The Company is confident that its title to the land is secure and accordingly no provision has been made in these financial statements.

11.2 The Company has filed a suit in the Sindh High Court for recovery of Rs.33.409 million (2008: Rs.33.409 million) included in other receivables. Company's management and its legal counsel are of the opinion that the case will be decided in the Company's favour and as such no provision has been made there against.

11.3 The Company has filed a petition in the Sindh High Court against order passed by the Board of Trustees, Employees Old-Age Benefits Institution (EOBI) for upholding the unjustified additional demand of payment raised by EOBI for accounting years 2000-2001 and 2001-2002 amounting to Rs. 50.827 million (2008: Rs. 50.827 million). This demand has been raised after lapse of more than two years although the records and books of the Company were verified by the EOBI to their entire satisfaction and finalization of all matters by EOBI. The honorable Sindh High Court has already restrained EOBI for taking any action or proceedings against the Company. No provision has been made there against in these financial statements as the Company is confident of the favourable outcome of the petition.

11.4 Three directors/shareholders of the Company had filed a complaint against the Company and its Chief Executive to the Securities & Exchange Commission of Pakistan (SECP) for gross misconduct, misdeed, breach of fiduciary obligations, embezzlement and misappropriation, noncompliance of corporate governance. The SECP after affording an opportunity to all concerned, and after duly scrutinizing the contents of the complaint, have found the reply of the Company in order and disposed off the complaint with no action against the Company. Thereafter these directors/shareholders filed a petition against the Company and the others including SECP under section 290 read with section 305 of the Companies Ordinance, 1984 for appointment of an investigative auditor or alternately pass order for winding up the Company, in the Sindh High Court at Karachi. The Company has strongly defended the suit and provided all replies with evidences to the honorable High Court. The Company has also sought opinion/advice of its legal counsel and has been advised that the Company has a strong case and that there is every likelihood that the Petitioners will be found not entitled to the relief that they are seeking. Hence these accounts have been prepared on a going concern basis. The case is pending for hearing.

11.5 **Guarantees**

(a) Rs.104 million (2008: Rs. 107 million) against guarantees issued by Banks which are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables.

(b) Post dated cheques Rs. 38 million (2008: Rs. 13 million) issued to various Government Agencies.

(c) Bills discounted Rs. 335 million (2008: Rs. 584 million).

(d) Corporate guarantee of Rs. 57.210 million (2008: Rs. 53.829) has been issued to a bank in favour of subsidiary company.

11.6 The Company is committed for capital expenditure as at June 30, 2009 of Rs. 257 million (2008: Rs. 182 million).

11.7 The Company is committed for non capital expenditure items under letters of credits as at June 30, 2009 of Rs. 286 million (2008: Rs. 27 million).

12. PROPERTY, PLANT AND EQUIPMENT

	2009	Rs. 000s	2008
Operating assets - 12.1	6,070,225		5,340,201
Capital work in progress - 12.2	35,608		487,420
	6,105,833		5,827,621

12.1 OPERATING ASSETS

	Leasehold land	Buildings on leasehold land	Plant and machinery	Office equipment	Furniture and fixtures	Transport equipment	Total
	Rupees in thousand						
Net carrying value basis year ended June 30, 2009							
Opening net book value (NBV)	234,107	1,017,050	3,858,842	85,634	44,822	99,745	5,340,201
Addition (at Cost)	–	217,034	1,053,099	59,301	9,821	60,166	1,399,421
Transfer (at Cost)	–	(1,620)	1,620	–	–	–	–
Disposal/adjustment at NBV	–	–	(19,883)	(2,145)	(1,762)	(8,825)	(32,615)
Depreciation charge	–	(122,590)	(451,494)	(27,038)	(5,442)	(30,218)	(636,782)
Closing net book value	**234,107**	**1,109,874**	**4,442,184**	**115,753**	**47,440**	**120,868**	**6,070,225**
Gross carrying value basis as at June 30, 2009							
Cost	234,107	1,749,235	7,844,156	291,377	79,062	262,581	10,460,519
Accumulated depreciation	–	(639,361)	(3,401,972)	(175,624)	(31,622)	(141,713)	(4,390,293)
Net book value	**234,107**	**1,109,874**	**4,442,184**	**115,753**	**47,440**	**120,868**	**6,070,225**
Net carrying value basis year ended June 30, 2008							
Opening net book value (NBV)	234,107	971,124	3,067,080	79,007	45,084	88,718	4,485,121
Addition (at Cost)	–	156,126	1,164,683	28,747	4,987	43,162	1,397,705
Disposal at NBV	–	–	(20,444)	(274)	(93)	(7,197)	(28,008)
Depreciation charge	–	(110,200)	(352,477)	(21,846)	(5,156)	(24,938)	(514,617)
Closing net book value	**234,107**	**1,017,050**	**3,858,842**	**85,634**	**44,822**	**99,745**	**5,340,201**
Gross carrying value basis as at June 30, 2008							
Cost	234,107	1,533,821	6,877,156	246,357	74,949	234,088	9,200,478
Accumulated depreciation	–	(516,771)	(3,018,314)	(160,723)	(30,127)	(134,343)	(3,860,277)
Net book value	**234,107**	**1,017,050**	**3,858,842**	**85,634**	**44,822**	**99,745**	**5,340,201**
Depreciation rate % per annum	**–**	**10**	**10**	**15 to 30**	**10 to 12**	**20**	

12.1.1 Additions to plant and machinery include borrowing cost amounting to Rs. 17 million (2008: Rs. 14 million). Mark-up rates range from 10% to 17.67% (2008: 7% to 11.29%).

12.1.2 Depreciation charge for the year has been allocated as follows:

		2009	2008
Cost of goods manufactured	(note 26.1)	575,106	464,005
Administrative expenses	(note 28)	61,676	50,612
		636,782	514,617

12.1.3 Details of operating assets sold (by negotiation except where stated) **Rs. 000s**

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Plant and machinery	41,113	7,637	10,038	Faisal Enterprises R-75, Block A, Bagh-e-Malir, Malir Karachi
	14,282	3,190	5,500	Bismillah Textiles Limited 1KM Jaran Wala Road, Khurram Wala Faisalabad
	12,591	2,393	3,950	Lucky Cotton Mills (Pvt) Ltd. 707, 7th Floor, Business Centre Mumtaz Hassan Road Off: I.I. Chundrigar Road Karachi
	8,307	1,436	1,925	Fashion Knit Industries Plot # C-30, Mangopir Road S.I.T.E., Karachi
	10,608	4,824	1,196	Stock Prints Austria GMBH Austria
Office equipment, furniture and fixtures	391	130	141	Aslam Motiwala Furniture Aram Bagh, Karachi
	2,575	796	849	Excellence Furniture Mart Liaquatabad Furniture Market Karachi
	3,281	107	109	Global Computers Equipment Jang Press, I.I. Chundrigar Road Karachi
	1,230	50	52	Ice Computer Equipment Bahadurabad, Karachi
	862	128	147	Punjwani Electric Store Densohall, M.A. Jinnah Road Karachi
	268	55	63	Rajput Photostate Custom House, Punjabi Club Kharadar Karachi
	2,917	520	596	Techno Airconditioning Saddar, Karachi
	5,706	1,122	–	Scrapped
Transport equipment	599	261	360	Mr. Unaiz Haroon G-1 Yousuf Height, JM-715/4 Fatima Jinnah Colony Jamshad Road No. 3 Karachi
	1,189	331	476	Ms. Sughra Salma House # 64/1, Street # 21 Khayaban-e-Badban, DHA, Karachi
	367	65	215	Mr. Muhammad Azeem Suri House # R-203, Sector 11-C-1 Latif Nagar, North Karachi

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Transport equipment (continued)	500	120	310	Mr. Muhammad Farhan Khan House # 307, Gulberg, F.B. Area Block # 2, Karachi
	1,576	180	350	Mr. Abdul Qadir House # N-2927, Metroviel # 3 Gulshan-e-Iqbal, Block-2, Karachi
	590	205	254	Haji Muhammad Arif House # 404, Classic Heights Maqboolabad, CP Bearer Society Bahadurabad, Karachi
	745	106	430	Shaikh Muhammad Ejaz House # C-28, Block-2 P.E.C.H.S., Karachi
	590	164	236	Mr. Tanveer Hassan House # B-222, Sareena Tower Sakhi Hassan Churangi Karachi
	355	51	170	Mr. Mohammad Farooq House # 08, Floor # 2, AM3 Sunny SITE Building Karachi
	555	99	167	Mr. Shahnawaz House # R-55, Block-A Al-Falah Bagh, Malir Karachi
	500	120	285	Syed Naveed Hussain Rizvi House # L-42, Bilal Town Sector 5C/2 North Karachi
	1,159	207	595	Mr. Raza-ur-Rehman House # 3/483, Shah Faisal Colony # 3 Karachi
	349	78	260	Mr. Muhammad Umair Siddiqui House # R-761, Block-17 F.B. Area, Karachi
	825	184	443	Mr. Saghir-uz-Zaman Flat # C-3, Supreme Heights Sector 15A/5 Buffer Zone, North Karachi
	585	163	234	Mr. Muhammad Iqbal Godil (Employee) House # A/70, Block-4, New Dhoraji Colony Gulshan-e-Iqbal, Karachi
	889	127	250	Mr. Muhammad Ashraf House # A/304, Colony Gate North Sultan Shah Main Shahrah-e-Faisal, Karachi

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Transport equipment (continued)	889	127	350	Mr. Ahmed Nehal Jafri (Employee) House # 71-D, Askari IV Rashid Minhas Road Karachi
	751	69	300	Mr. Riazat Hussain (Ex-Employee) House # 49, Street-18, Khayaban-e-Mujaheed Phase-5, DHA, Karachi
	586	140	372	Mr. Muhammad Arshad Khan Qaddafi Town, Quaidabad, Landhi House # B-199, Karachi
	1,342	368	806	Mr. Mehmood Flat# A-21, Eastern Apartment Rashid Minhas Road, Gulshan-e-Iqbal Block#6, Karachi
	1,173	426	751	Mr. Nouman Hassan Khan House # A-908/12, Gulberg, Ancholi F.B. Area, Karachi
	845	294	600	Syed Asghar Abbas Zaidi House # 1, Street # 4 & 5, Plot # SB Gulshan-e-Iqbal, Karachi
	899	391	602	Mr. Javed Aman Castle, Plot # 153/5 Flat # C-24, Garden East, Karachi
	1,145	288	786	Syed Muhammad Aamir Shah House # 104-J, P.E.C.H.S. Block # 2, Karachi
	862	303	338	Mr. Abdul Aziz Khan House # 64/1, Street # 21 Khayaban-e-Badban, Phase-5 DHA, Karachi
	496	173	382	Mr. Muhammad Waqas House # 24/Q, P.E.C.H.S. Block # 2, Karachi
	1,434	209	1,138	Mr. Hakim Khan House # B-49, Sector 11-B, North Karachi
	845	294	343	Mr. Muhammad Yameen Asghar House # B-83, Block-7, Gulshan-e-Jauhar Karachi
	5,845	1,464	3,788	Mr. Muhammad Aamir House # B-514, New Fatima Jinnah Colony Sector 11-E, North Karachi
	2,809	2,104	2,413	Insurance Claim
Written down value below Rs. 50,000 each	3,332	490	1,012	Various
2009	**138,757**	**31,989**	**43,582**	
2008	125,086	28,008	35,390	

12.2 CAPITAL WORK-IN-PROGRESS

Rs. 000s

	Cost at July 01, 2008	Capital expenditure incurred during the period	Transferred to tangible fixed assets	Cost at June 30, 2009
Machinery under installation and store items held for capitalization	407,289	569,213	(946,401)	30,101
Building construction	80,131	172,181	(246,805)	5,507
As at June 30, 2009	**487,420**	**741,394**	**(1,193,206)**	**35,608**
As at June 30, 2008	217,705	1,502,796	(1,233,081)	487,420

12.2.1 Additions to capital work-in-progress include borrowing cost amounting to Rs. Nil (2008: Rs. 2 million).

13. INTANGIBLE - COMPUTER SOFTWARE

	2009	2008
	Rs. 000s	
Net carrying value basis - year ended June 30		
Opening net book value (NBV)	28,215	30,435
Additions (at cost)	14,456	12,295
Amortization charge - note 13.1	(13,788)	(14,515)
Closing net book value	28,883	28,215
Gross carrying value basis- as at June 30		
Cost	105,309	90,853
Accumulated amortisation	(76,426)	(62,638)
Net book value	28,883	28,215

13.1 The cost is being amortized over a period of five years. Remaining useful life ranges from one to four years.

14. LONG TERM INVESTMENT

	2009	2008
Subsidiary-unquoted		
Gul Ahmed International Limited - FZC		
10,000 (2008: 10,000) Ordinary shares of USD 100 each		
Equity held 100 % (2008: 100%)		
Value of investment based on the net assets shown in the audited accounts as at June 30, 2009 Rs. 175 million (2008: Rs. 129 million)	58,450	58,450

15. LONG TERM LOANS AND ADVANCES - Secured

	2009	2008
Considered good, due from		
Executives		
Opening balance as at July 1	5,786	6,395
Add: Disbursement	770	3,200
	6,556	9,595
Less: Repayment	(4,140)	(3,809)
Closing balance as at June 30	2,416	5,786
Less: Receivable within one year	(1,703)	(3,285)
	713	2,501
Other employees	3,023	2,880
Less: Receivable within one year	(1,474)	(1,876)
	1,549	1,004
	2,262	3,505

15.1 Loans and advances have been given for the purchase of cars, scooters and household equipment and housing assistance in accordance with the terms of employment and are repayable in monthly installments. These loans are secured against outstanding balance of provident fund, end of service dues and guarantees by two employees. Included in these are loans of Rs. 2.4 million (2008: Rs. 7.8 million) which carry no interest. The balance amount carries interest ranging from 10.5% to 15%.

Maximum balance due from executives at the end of any month during the year was Rs. 5 million (2008: Rs. 8 million).

	2009	2008
	Rs. 000s	
16. STORES, SPARES AND LOOSE TOOLS		
Stores including in transit Rs. 7 million (2008: Rs. 10 million)	252,931	227,517
Spares including in transit Rs. 12 million (2008: Rs. 8 million)	218,432	280,901
Loose tools	2,804	2,907
	474,167	511,325
Less: Provision for slow moving/obsolete items		
- at beginning of the year	25,368	24,918
- for the year	1,736	450
	27,104	25,368
	447,063	485,957
17. STOCK-IN-TRADE		
Raw materials	673,071	1,060,814
Work-in-process	119,794	120,005
Finished goods	3,093,306	1,734,731
	3,886,171	2,915,550
18. TRADE DEBTS		
Export debts - secured	1,324,197	983,486
Local debts - unsecured		
Considered good	1,208,384	1,506,772
Considered doubtful	28,832	23,801
	1,237,216	1,530,573
Less: Provision for doubtful trade debts		
- at beginning of the year	23,801	22,970
- for the year	5,031	831
	28,832	23,801
	2,532,581	2,490,258

18.1 Includes Rs. 162 million (2008: Rs. 130 million) due from related parties.

18.2 The maximum aggregate month end balance due from related parties during the year is Rs. 325 million (2008: Rs. 230 million).

		2009	2008
19. LOANS AND ADVANCES			
		Rs. 000s	
Considered good			
Current portion of loans and advance to employees (note 15)		3,177	5,161
Suppliers		91,710	101,161
Advance income tax		22,824	18,042
Letters of credit		27,720	111
		145,431	124,475
20. PREPAYMENTS			
Prepayments		33,931	40,633
21. ACCRUED INTEREST		18,598	17,975
22. OTHER RECEIVABLES			
Rebate receivable		3,593	9,152
Research and development claim		55,116	119,490
Duty drawback receivable		35,448	18,181
Others (note 22.1)		47,994	42,142
		142,151	188,965
22.1	**Others**		
	Receivable against sale of property	33,409	33,409
	Others	14,585	8,733
		47,994	42,142
23. TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax refundable		47,802	38,825
Income tax refundable		5,877	26,640
		53,679	65,465
24. CASH AND BANK BALANCES			
Cash and cheques in hand		46,519	31,777
With banks in	- current accounts	53,148	36,877
	- short term deposits	–	380
		99,667	69,034

Cash and bank balance include Rs. 51 million (2008: Rs. 21 million) with related party.

	2009	2008
	Rs. 000s	

25. SALES

	2009	2008
Local	5,876,155	4,852,168
Export	7,987,102	6,840,943
	13,863,257	11,693,111
Add: Duty drawback	70,506	58,844
Less: Brokerage and commission	27,298	26,104
	13,906,465	11,725,851

25.1 Sales are exclusive of sales tax amounting Rs. 9.890 million (2008: Rs. 4.255 million).

26. COST OF SALES

	2009	2008
Opening stock of finished goods	1,734,731	1,697,043
Add: Cost of goods manufactured (note 26.1)	10,179,890	7,627,006
Purchases and processing charges	2,746,824	2,361,754
	14,661,445	11,685,803
Less: Closing stock of finished goods	3,093,306	1,734,731
	11,568,139	9,951,072

26.1 Cost of goods manufactured

	2009	2008
Raw materials consumed (note 26.2)	4,696,489	3,508,821
Stores consumed	1,817,051	1,309,915
Salaries, wages and benefits	1,610,957	1,273,903
Fuel, power and water	1,110,992	751,654
Insurance	44,534	38,578
Repairs and maintenance	319,576	303,253
Depreciation	575,106	464,005
Other expenses	54,589	39,179
Cost of samples shown under distribution cost	(49,615)	(32,185)
	10,179,679	7,657,123
Work-in-process		
Opening	120,005	89,888
Closing	(119,794)	(120,005)
	211	(30,117)
	10,179,890	7,627,006

Salaries, wages and benefits include Rs. 25 million (2008: Rs. 15 million) and Rs. 8 million (2008: Rs. 15 million) in respect of retirement benefits and staff compensated absences respectively.

26.2 Raw materials consumed

	2009	2008
Opening stock	1,060,814	467,213
Purchases during the year	4,308,746	4,102,422
Closing stock	(673,071)	(1,060,814)
	4,696,489	3,508,821

	2009	2008
27. DISTRIBUTION COST	Rs. 000s	
Freight and shipment expenses	148,133	128,452
Insurance	2,265	1,831
Advertisement and publicity	117,435	47,687
Cost of samples transferred from cost of goods manufactured	49,615	32,185
Rent, rates and taxes	90,801	45,038
Other expenses	44,542	23,773
	452,791	278,966

28. ADMINISTRATIVE EXPENSES

	2009	2008
Salaries and benefits	319,671	259,448
Rent, rates and taxes	37,941	28,337
Repairs and maintenance	18,243	21,538
Vehicle up keep	54,749	42,413
Conveyance and traveling	44,687	48,233
Printing and stationery	30,346	30,263
Postage and telecommunication	37,572	27,651
Legal and consultancy fees	26,331	18,577
Depreciation/amortization	75,464	65,127
Auditors' remuneration (note 28.1)	884	202
Donations (note 28.2)	2,340	1,635
Insurance	6,378	5,279
Doubtful trade debts	5,031	831
Provision for slow moving/obsolete items	1,736	450
Other expenses	24,193	13,352
	685,566	563,336

Salaries and benefits include Rs. 12 million (2008: Rs. 10 million) and Rs. 1 million (2008: Rs. 1 million) in respect of retirement benefit and staff compensated absences respectively.

28.1 **Auditors' remuneration**

	2009	2008
Audit fee	750	125
Half yearly review	30	30
Audit of workers' profit participation fund and other services	12	12
Out of pocket expenses	92	35
	884	202

28.2 None of the Directors or their spouses have any interest in the donees.

29. OTHER OPERATING EXPENSES

	2009	2008
Workers' profit participation fund	9,123	10,840
Workers' welfare fund	3,467	4,119
Loss on sale of operating assets	3,683	91
Fixed assets scrapped	1,122	–
	17,395	15,050

	2009	2008
	Rs. 000s	

30. OTHER OPERATING INCOME

	2009	2008
Income from financial assets		
Gain on redemption of money market fund	–	4,336
Interest income from loan and advances	345	256
Income from non-financial assets		
Profit on sale of operating assets	16,398	7,473
Unclaimed liabilities written back	2,421	–
Scrap sales	6,005	5,079
Others	1,108	1,106
	26,277	18,250

31. FINANCE COST

	2009	2008
Mark-up on long term loans	320,809	181,215
Mark-up on short term borrowings	640,224	365,210
Interest on workers' profit participation fund	1,167	1,267
Bank charges	36,884	22,653
Exchange loss on foreign currency loans (note 31.1)	39,906	163,494
	1,038,990	733,839

31.1 Includes swap loss of Rs. Nil (2008: swap loss Rs. 105 million).

31.2 Mark-up on long term/borrowings include Rs. 66 million (2008: Rs. 42 million) in respect of loan/borrowings from related parties.

32. PROVISION FOR TAXATION

	2009	2008
Current	83,000	66,000
Prior	(7,849)	–
Deferred	14,500	33,000
	89,651	99,000

32.1 **Reconciliation between accounting profit and tax expe**

	2009	2008
Net profit for the year before taxation	169,861	201,838
Tax rate	35%	35%
Tax on accounting profit	59,451	70,643
Tax on prior years	(7,849)	–
Tax effect of income assessed under FTR	45,742	24,405
Other (including tax effect of expenses that are not allowable in determining taxable profit and change in allocation ratio of revenue chargeable under FTR and non FTR)	(7,693)	3,952
	89,651	99,000

33. EARNINGS PER SHARE

	2009	2008
Profit for the year	80,210	102,838
Weighted average number of shares	55,266,791	55,198,738
Earnings per share (Rs.)	1.45	1.86

There is no dilutive effect on the earnings per share of the Company.

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Rs. 000s

	2009				2008			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration	2,400	5,200	98,451	106,051	2,400	5,200	76,238	83,838
House rent allowance	960	2,080	39,382	42,422	960	2,080	30,495	33,535
Other allowances	240	687	21,517	22,444	240	687	15,828	16,755
Contribution to provident fund	200	433	7,428	8,061	200	433	5,850	6,483
	3,800	8,400	166,778	178,978	3,800	8,400	128,411	140,611
Number of persons	1	3	95	99	1	3	78	82

34.1 The Chief Executive, Directors and certain Executives are provided with free use of Company cars and are covered under Company's Health Insurance Plan alongwith their dependents.

34.2 The Chief Executive and two Directors are also provided with free residential telephones.

34.3 Aggregate amount charged in the accounts for the year for meeting fee to five Directors was Rs. 6 (000) (2008: five Directors Rs. 4 (000)).

35. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiaries, associated companies, companies where directors also hold directorship, directors of the Company and key management personnel. The Company in the normal course of business carried out transactions with various related parties.

Rs. 000s

Relationship with the Company	Nature of Transactions	2009	2008
Subsidiaries	Purchase of goods	4,718	29,833
	Sale of goods	589,693	500,870
Associated Companies and other related parties	Purchase of goods	26,028	28,428
	Sale of goods	218	15,628
	Rent paid	4,530	3,900
	Fees paid	375	563
	Deposit with bank (at year end)	51,102	21,450
	Borrowing from bank (at year end)	866,858	749,967
	Bank Guarantees (at year end)	64,469	53,779
	Bills discounted	361,913	145,989
	Commission/Bank charges paid	16,511	12,141
	Mark-up/interest charged	66,071	41,521
	Mark-up/interest earned	3	248
	Provident fund contribution	28,950	22,922

There are no transactions with directors of the Company and key management personnel other than under the terms of employment. Loans and remuneration of the key management personnel are disclosed in Notes 15 and 34 respectively.

Related parties status of outstanding receivables and payable as at June 30, 2009 are included in respective notes to the financial statements.

36. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on October 05, 2009 has proposed to transfer to revenue reserve from un-appropriated profit of Rs. 80 million (2008: transfer to revenue reserve Rs. 50 million) subject to the approval of members at the Annual General Meeting to be held on October 30, 2009.

37. CAPACITY AND PRODUCTION

	Unit	2009 Capacity	2009 Production	Working	2008 Capacity	2008 Production
		(000s)				
Cloth	Sq. meters (50 Picks converted)	118,870	85,180	3 shifts	118,870	78,536
Yarn	Kgs. (20 Counts converted)	48,227	37,857	3 shifts	38,877	32,241

Production is lower due to variation in production mix and various technical factors. Moreover capacity shown above is for the full year whereas machinery added during the year was put into commercial operation gradually.

38. FINANCIAL INSTRUMENTS

38.1 Financial risk management objectives

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seek to minimize potential adverse effects on the Company's financial performance.

Risk Management is carried out under policies and principles approved by the Board. All treasury related transactions are carried out within the parameters of these policies and principles.

38.1.1 Market risks

Market risk refers to fluctuation in value of financial instruments as a result of changes in market prices. The Company manages market risk as follows:

a) Foreign exchange risk management

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

The Company is exposed to foreign exchange risk arising from currency value fluctuations primarily with respect to the United States Dollar (USD), Euro and Pound sterling.

b) Price risk

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

c) Interest/mark-up rate risk management

Interest rate risk is the risk that the value of financial instruments will fluctuate due to change in the interest/mark-up rates. The Company has long term finance and short term borrowings at fixed and variable rates. The Company is exposed to interest / markup rate risk on long and short term financing and these are covered by holding "Prepayment Option" and "Rollover Option". Interest rate risk on short term borrowings is covered by holding "Prepayment Option" which can be exercised upon any adverse movement in the underlying interest rates.

Financial assets include balances of Rs. 3 million (2008: 1 million) which are subject to interest rate risk. Financial liabilities include balances of Rs. 8,611 million (2008: Rs. 8,174 million) which are subject to interest rate risk. Applicable interest rates for financial assets and liabilities are given in respective notes.

FINANCIAL ASSETS AND LIABILITIES

Rs. 000s

	Interest/mark-up bearing			Non Interest/mark-up bearing			2009 Total	2008 Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		
Financial assets								
Long term deposits	–	–	–	–	29,034	29,034	29,034	15,599
Trade debts	–	–	–	2,532,581	–	2,532,581	2,532,581	2,490,258
Loans and advances	1,387	1,644	3,031	1,790	618	2,408	5,439	8,666
Other receivables	–	–	–	70,185	–	70,185	70,185	69,269
Cash and bank balances	–	–	–	99,667	–	99,667	99,667	69,034
	1,387	1,644	3,031	2,704,223	29,652	2,733,875	2,736,906	2,652,826
Financial liabilities								
Long term loans	503,087	2,566,604	3,069,691	–	–	–	3,069,691	2,947,988
Short term borrowings	5,332,208	–	5,332,208	–	–	–	5,332,208	5,209,785
Trade and other payables	209,510	–	209,510	1,466,428	–	1,466,428	1,675,938	1,069,640
Accrued interest	–	–	–	178,405	–	178,405	178,405	146,229
	6,044,805	2,566,604	8,611,409	1,644,833	–	1,644,833	10,256,242	9,373,642
Off balance sheet items								
Financial commitments								
Guarantees	–	–	–	104,043	–	104,043	104,043	106,670
Bills discounted	–	–	–	334,891	–	334,891	334,891	583,788
Commitments	–	–	–	543,294	–	543,294	543,294	208,748
	–	–	–	982,228	–	982,228	982,228	899,206

38.1.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company manages credit risk interalia by setting out credit limits in relation to individual customers and / or by obtaining advance against sales and / or through letter of credits and/or by providing for doubtful debts. Also the Company does not have significant exposure in relation to individual customer. Consequently the Company believes that it is not exposed to any major concentration of credit risk.

The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorised under the following headings:

38.1.2.1 Trade debts

Trade debts are essentially due from local and foreign companies and the Company does not expect that these companies will fail to meet their obligations.

The Company establish an allowance for the doubtful trade debts that represent its estimate of incurred losses in respect of trade debts. This allowance is based on the management assessment of a specific loss component that relates to individually significant exposures.

38.1.2.2 Bank balances

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

38.1.2.3 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

38.1.2.4 Financial assets that are either past due or impaired

The credit quality of financial assets that are either past due or impaired can be assessed by reference to historical information and external ratings or to historical information about counter party default rates.

a) Long term loans

The Company obtains guarantees by two employees against each disbursement made on account of loans and these can be assessed by reference to note no. 15. The carrying amount of guarantees are up to the extent of loans outstanding as at the date of default. Furthermore the guarantor will pay the outstanding amount if the counter party will not meet their obligation. In addition this loans are secured against outstanding balance of provident fund and end of service dues of the relevant employee.

The Company believes that no impairment allowance is necessary in respect of loans that are past due. The Company is actively pursuing for the recovery of the debt and the Company does not expect these employees will fail to meet their obligations.

b) Trade debts

The movement in allowance for impairment in respect of trade debts during the year can be assessed by reference to note no.18.

The Company believes that no impairment allowance is necessary in respect of trade debts past due other than the amount provided. Trade debts are essentially due from local and foreign companies. The Company is actively pursuing for the recovery of the debt and the Company does not expect these companies will fail to meet their obligations.

c) Other receivables

The Company believes that no impairment allowance is necessary in respect of receivable that are past due. The Company is actively pursuing for the recovery and the Company does not expect that the recovery will be made soon and can be assessed by reference to note no. 22.

38.1.3 Liquidity risk

Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2009, the Company has Rs. 7,610 million (2008: Rs. 8,520 million) available borrowing limit from financial institutions. Unutilized borrowing facilities of Rs. 2,278 million (2008: Rs. 3,311 million) and also has Rs. 53 million (2008: Rs. 37 million) being balances at banks. Based on the above, management believes the liquidity risk is not significant.

38.2 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described in respective notes.

38.3 **Capital risk management**

The primary objectives of the Company when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

39. DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 5, 2009 by the Board of Directors of the Company.

40. CORRESPONDING FIGURES

For better presentation reclassifications/re-arrangements made in the financial statements are as follow:

Reclassification from component	Reclassification to component	Amount Rs. 000s
Sales	**Distribution Cost**	
Export sales	Freight and shipment expenses	148,133
Export sales	Insurance	2,265
Short term borrowings	**Trade and other payables**	
Murabaha	Murabaha	199,220
Tax refunds due from government	**Other receivables**	
Research and development claim	Research and development claim	55,116
Duty drawback receivable	Duty drawback receivable	35,448

41. GENERAL

Figures have been rounded off to the nearest thousand rupees.

BASHIR ALI MOHOMMAD
Chairman and Chief Executive

ZAIN BASHIR
Director

ATTENDANCE AT BOARD MEETINGS

For The Year Ended June 30, 2009

Name of Director	Total number of meetings	Number of meeting attended
Bashir Ali Mohommad	4	3
Abdul Razak Teli	4	1
Siraj Kassam Teli	4	1
Muhammad Junaid	4	1
Zain Bashir	4	4
Ziad Bashir	4	4
Mohammad Zaki Bashir	4	4
Abdul Aziz Yousuf	4	4
S.M. Nadim Shafiqullah	4	4

Pattern Of Shareholding

As At June 30, 2009

No. of Shareholders	Shareholding				Shares held
916	From	1	to	100	39,964
738	From	101	to	500	157,150
151	From	501	to	1,000	104,227
114	From	1,001	to	5,000	234,969
22	From	5,001	to	10,000	155,552
8	From	10,001	to	15,000	97,585
4	From	15,001	to	20,000	68,976
3	From	20,001	to	25,000	66,700
1	From	25,001	to	30,000	26,604
2	From	30,001	to	35,000	60,741
1	From	35,001	to	40,000	39,926
1	From	40,001	to	45,000	42,782
1	From	45,001	to	50,000	49,224
3	From	50,001	to	55,000	156,787
2	From	70,001	to	75,000	143,321
1	From	80,001	to	85,000	81,130
1	From	85,001	to	90,000	88,147
1	From	90,001	to	95,000	90,914
1	From	100,001	to	105,000	103,782
1	From	130,001	to	135,000	134,791
1	From	145,001	to	150,000	147,600
1	From	155,001	to	160,000	155,963
1	From	160,001	to	165,000	161,476
1	From	210,001	to	215,000	210,410
1	From	220,001	to	225,000	223,994
1	From	225,001	to	230,000	226,147
1	From	245,001	to	250,000	246,744
1	From	250,001	to	255,000	253,998
2	From	255,001	to	260,000	515,417
1	From	265,001	to	270,000	268,148
1	From	275,001	to	280,000	276,179
1	From	285,001	to	290,000	286,244
2	From	295,001	to	300,000	595,488
1	From	300,001	to	305,000	304,572
1	From	305,001	to	310,000	307,681
1	From	315,001	to	320,000	318,892
1	From	320,001	to	325,000	320,833
1	From	325,001	to	330,000	326,375
1	From	335,001	to	340,000	333,605
1	From	350,001	to	355,000	351,787
1	From	360,001	to	365,000	361,251
1	From	375,001	to	380,000	378,390
1	From	430,001	to	435,000	430,865
1	From	445,001	to	450,000	446,094
1	From	475,001	to	480,000	475,525
1	From	520,001	to	525,000	524,048
1	From	545,001	to	550,000	549,154
1	From	585,001	to	590,000	589,427
1	From	635,001	to	640,000	639,434
1	From	645,001	to	650,000	647,551
1	From	670,001	to	675,000	672,370
1	From	680,001	to	685,000	681,371
4	From	695,001	to	700,000	2,796,877
1	From	850,001	to	855,000	854,016
1	From	900,001	to	905,000	902,474
1	From	1,055,001	to	1,060,000	1,057,912
1	From	1,380,001	to	1,385,000	1,381,465
1	From	1,390,001	to	1,395,000	1,393,210
1	From	2,035,001	to	2,040,000	2,037,009
1	From	2,965,001	to	2,970,000	2,969,829
1	From	3,920,001	to	3,925,000	3,923,277
1	From	5,535,001	to	5,540,000	5,536,398
1	From	6,185,001	to	6,190,000	6,189,812
1	From	6,200,001	to	6,205,000	6,203,716
1	From	6,925,001	to	6,930,000	6,929,609
1	From	7,130,001	to	7,135,000	7,132,639
2,023					**63,478,548**

Categories of Shareholders	Number	Shares held	Percentage
Individuals	1,974	46,168,534	72.73
Investment Companies	24	2,195,463	3.46
Insurance Companies	5	2,524,495	3.98
Joint Stock Companies	6	19,393	0.03
Modaraba Companies	5	140,884	0.22
Financial Institutions	2	423	–
Foreign Investors	2	12,393,528	19.52
Charitable Institutions	3	30,333	0.05
Government Departments	2	5,495	0.01
	2,023	**63,478,548**	**100.00**

Pattern Of Shareholding As At June 30, 2009

Additional Information

Categories of Shareholders	Number	Shares held
NIT and ICP		
IDBP (ICP Unit)	1	1,794
National Bank of Pakistan - Trustee Department	1	1,381,465
NBP Trustee - NI(U) T(LOC) Fund	1	351,787
Investment Companies and Mutual Funds	21	460,417
Insurance Companies	5	2,524,495
Joint Stock Companies	6	19,393
Modaraba Companies	5	140,884
Financial Institutions	2	423
Foreign Investors	2	12,393,528
Charitable Institutions	3	30,333
Government Departments	2	5,495
DIRECTORS		
Bashir Ali Mohommad (Chief Executive)	1	3,923,277
Abdul Razak Teli	1	902,474
Siraj Kassam Teli	1	639,434
Muhammad Junaid	1	446,094
Zain Bashir	1	5,536,398
Ziad Bashir	1	6,929,609
Mohammad Zaki Bashir	1	7,132,639
Abdul Aziz Yousuf	1	4,655
S.M. Nadim Shafiqullah	1	2,875
DIRECTORS'/CEO'S SPOUSES		
Parveen Bashir	1	2,969,829
Jamila Abdul Razak Teli	1	524,048
Nasima Siraj Teli	1	647,551
Fozia Junaid	1	549,154
Tania Zain	1	1,393,210
Shareholders holding 10% or more voting interest		
Ziad Bashir (Director)	1	6,929,609
Mohammad Zaki Bashir (Director)	1	7,132,639

Detail of trading in the shares by:

Directors, CEO, CFO, Company Secretary, their spouses and minor childern

No trading was carried out by Directors, CEO, CFO, Company Secretary, their Spouses and minor children during the year under review.

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Auditors' Report
On Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of GUL AHMED TEXTILE MILLS LIMITED (the Holding Company) and Gul Ahmed International Limited (FZC) and GTM (Europe) Limited (the Subsidiaries) as at June 30, 2009 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company. Subsidiaries have been audited by other firms of auditors, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such Subsidiaries, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its Subsidiaries as at June 30, 2009 and the result of their operations for the year then ended.

Without qualifying our opinion, we draw your attention to Note 11.4 of the annexed consolidated financial statements which fully describes the nature of the contingency and the Company's contention on the issue which gives a rise with regard to ability of the Company to continue as a going concern. Consequently these consolidated accounts have been prepared on going concern basis pending the outcome of the decision of the Honorable Sindh High Court.

HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Hyder Ali Bhimji

Karachi
October 05, 2009

Consolidated Balance Sheet

As At June 30, 2009

	Note	2009	2008
		Rs. 000s	
SHARE CAPITAL AND RESERVES			
Authorised capital		750,000	750,000
75,000,000 ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up capital	4	634,785	551,987
Reserves	5	2,440,820	2,131,839
Unappropriated profit		162,667	156,202
		3,238,272	2,840,028
NON-CURRENT LIABILITIES			
Long term financing	6	2,566,604	2,354,317
Deferred liabilities	7	151,218	130,320
CURRENT LIABILITIES			
Trade and other payables	8	1,746,194	1,178,712
Accrued interest	9	178,405	146,229
Short term borrowings	10	5,424,395	5,256,160
Current maturity of long term loans		503,087	593,671
		7,852,081	7,174,772
CONTINGENCIES AND COMMITMENTS	11		
		13,808,175	12,499,437

ASSETS	Note	2009	2008
		Rs. 000s	
NON-CURRENT ASSETS			
Property, plant and equipment	12	6,112,634	5,832,838
Intangible assets	13	33,525	33,818
Long term loans and advances	14	2,262	3,505
Long term deposits		29,034	15,599
		6,177,455	5,885,760
CURRENT ASSETS			
Stores, spares and loose tools	15	447,063	485,957
Stock-in-trade	16	3,940,944	2,963,105
Trade debts	17	2,672,797	2,644,895
Loans and advances	18	147,970	124,711
Prepayments	19	41,971	46,201
Accrued interest	20	18,598	18,093
Other receivables	21	142,129	180,486
Tax refunds due from government	22	56,622	68,532
Cash and bank balances	23	162,626	81,697
		7,630,720	6,613,677
		13,808,175	12,499,437

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

BASHIR ALI MOHOMMAD
Chairman and Chief Executive

ZAIN BASHIR
Director

Consolidated Profit And Loss Account

For The Year Ended June 30, 2009

	Note	2009	2008
		Rs. 000s	
Sales	24	14,207,448	12,101,551
Cost of sales	25	11,705,545	10,179,576
Gross profit		2,501,903	1,921,975
Distribution cost	26	488,446	328,212
Administrative expenses	27	783,988	619,952
Other operating expenses	28	17,395	15,050
Other operating income	29	(27,428)	(18,306)
Operating profit		1,239,502	977,067
Finance cost	30	1,035,224	747,878
Profit for the year before taxation		204,278	229,189
Provision for taxation	31	90,438	100,235
Profit for the year after taxation		113,840	128,954
Earnings per share (Rs.)	32	2.06	2.34

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

BASHIR ALI MOHOMMAD
Chairman and Chief Executive

ZAIN BASHIR
Director

Consolidated Cash Flow Statement

For The Year Ended June 30, 2009

	2009	2008
	Rs. 000s	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year before taxation	204,278	229,189
Adjustments for:		
Depreciation/amortization	654,547	532,115
Gratuity	10,496	2,747
Finance cost	1,035,224	747,878
Provision for slow moving/obsolete items	1,736	450
Provision for doubtful debts	5,031	987
Fixed assets scrapped	1,122	–
Profit on sale of operating assets	(12,726)	(7,421)
	1,899,708	1,505,945
Changes in working capital:		
(Increase)/decrease in current assets		
Stores, spares and loose tools	37,158	(99,129)
Stock-in-trade	(977,839)	(609,270)
Trade debts	(32,933)	(480,783)
Loans and advances	(17,930)	(32,959)
Prepayments	4,230	(19,741)
Accrued interest	(505)	(15,667)
Other receivables	38,357	19,070
Tax refunds due from government	11,910	(16,829)
	(937,552)	(1,255,308)
Increase in current liabilities		
Trade and other payables	567,482	113,352
	(370,070)	(1,141,956)
Cash generated from operations	1,529,638	363,989
Payments for/receipts from:		
Gratuity	(4,098)	(3,305)
Finance cost	(1,003,048)	(698,848)
Income tax paid	(81,267)	(68,997)
Long term loans and advances	1,243	3,920
Net cash generated from/(used in) operating activities	442,468	(403,241)
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(951,318)	(1,672,839)
Addition to intangible assets	(14,796)	(18,143)
Proceeds from sale of operating assets	43,668	36,556
Long term deposits	(13,435)	(5,020)
Net cash used in investing activities	(935,881)	(1,659,446)

	2009	2008
	Rs. 000s	
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term loans	524,442	1,405,645
Repayments of long term loans	(402,739)	(725,564)
Dividend paid	(55,199)	–
Right shares subscription	331,192	–
Net cash generated from financing activities	397,696	680,081
Exchange difference on translation of foreign subsidiaries	8,411	21,371
Net decrease in cash and cash equivalents	(87,306)	(1,361,235)
Cash and cash equivalents - at the beginning of the year	(5,174,463)	(3,813,228)
Cash and cash equivalents - at the end of the year	(5,261,769)	(5,174,463)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

	2009	2008
Cash and bank balances	162,626	81,697
Short term running finance	(5,424,395)	(5,256,160)
	(5,261,769)	(5,174,463)

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

BASHIR ALI MOHOMMAD
Chairman and Chief Executive

ZAIN BASHIR
Director

Consolidated Statement of Changes in Equity

For The Year Ended June 30, 2009

Rs. 000s

	Shares capital	Revenue reserve	Exchange difference on translation of foreign subsidiaries	Capital reserve	Statutory reserve	Unappropriated profit	Total
Balance as at June 30, 2007	551,987	1,740,000	4,005	202,052	3,893	187,766	2,689,703
Transfer to revenue reserve	–	160,000	–	–	–	(160,000)	–
Transfer to statutory reserve	–	–	–	–	518	(518)	–
Profit for the year	–	–	–	–	–	128,954	128,954
Exchange adjustments	–	–	21,371	–	–	–	21,371
Balance as at June 30, 2008	551,987	1,900,000	25,376	202,052	4,411	156,202	2,840,028
Transfer to revenue reserve	–	50,000	–	–	–	(50,000)	–
Transfer to statutory reserve	–	–	–	–	2,176	(2,176)	–
Final dividend for the year ended June 30, 2008	–	–	–	–	–	(55,199)	(55,199)
Issue of right shares	82,798	–	–	248,394	–	–	331,192
Profit for the year	–	–	–	–	–	113,840	113,840
Exchange adjustments	–	–	8,411	–	–	–	8,411
Balance as at June 30, 2009	634,785	1,950,000	33,787	450,446	6,587	162,667	3,238,272

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

BASHIR ALI MOHOMMAD
Chairman and Chief Executive

ZAIN BASHIR
Director

1. THE GROUP AND ITS OPERATIONS

1.1 Gul Ahmed Group comprises the following:
-Gul Ahmed Textile Mills Limited
-Gul Ahmed International Limited (FZC) -UAE
-GTM (Europe) Limited -UK

Gul Ahmed International Limited (FZC) -UAE is a wholly owned subsidiary of Gul Ahmed Textile Mills Limited and GTM (Europe) Limited is a wholly owned subsidiary of Gul Ahmed International Limited (FZC) - UAE.

Gul Ahmed Textile Mills Limited was incorporated in 1953 in Pakistan as a private limited company, converted into public limited company in 1955 and was listed on Karachi and Lahore Stock Exchanges in 1970 and 1971 respectively. Gul Ahmed is a composite textile mill and is engaged in the manufacture and sale of textile products.

The Group's registered office is situated at Plot No. 82, Main National Highway, Landhi, Karachi.

Both subsidiaries are engaged in trading of textile related products.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Holding Company and its subsidiaries - "The Group".

Subsidiary companies are consolidated from the date on which more than 50% voting rights are transferred to the Holding Company or power to govern the financial and operating policies over the subsidiaries and its excluded from consolidation from the date of disposal or cessation of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company, using consistent accounting policies.

The assets and liabilities of the subsidiary companies have been consolidated on a line-by-line basis and the carrying value of investment held by the Holding Company is eliminated against the subsidiary's share capital.

Material intra-group balances and transactions are eliminated.

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 such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Initial application of standards or interpretation

Standards, interpretations and amendments effective during the year

IFRS 7 – Financial instruments: Disclosures, requires extensive disclosures about the significance of financial instruments of the Group's financial position, performance, quantitative and qualitative disclosures on the nature and extent of risks. Adoption of this standard has resulted in additional disclosures.

IAS 29 – Financial Reporting in Hyperinflationary Economies: The Group does not have any operations in hyperinflationary economies and therefore the application of the standard is not likely to effect the Group's financial statements.

IFRIC 13 Customer loyalty programmes: addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The interpretation is not likely to have any effect on the Group's financial statements.

IFRIC 14 IAS 19 – the limit on defined benefit asset, minimum funding requirements and their interaction. The interpretation 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 is not likely to have any effect on the Group's financial statements.

New standards, interpretations and amendments that are relevant but not yet effective

Following accounting standards, amendments and interpretations to approved accounting standards have been published that are mandatory to Group's accounting periods beginning on or after the dates mentioned below:

Revised IAS 1 – "Presentation of Financial Statements" (effective for period beginning on or after January 01, 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, or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 – "Borrowing Costs" (effective for period beginning on or after January 01, 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 asset as part of the cost of that asset.

IAS 27 – "Consolidated and separate financial statements" (effective for period beginning on or after January 01, 2009). The amendment removes the definition of the cost method from IAS 27and replaces it with the requirement to present dividends as income in the separate financial statements of the investor.

The IAS also requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with gain or loss recognized in the profit or loss.

Amendments to IAS 32 - "Financial Instruments: Presentation" (effective for period beginning on or after January 01, 2009). Putt able financial instruments and obligations arising on liquidation requires putt able 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.

Amendments to IAS 39 – "Financial Instruments: Recognition and measurement" (effective for period beginning on or after July 01, 2009). It clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

IFRS 5 (Amendment) – "Non – current assets held - for - sale and discontinued operations" (effective for period beginning on or after July 01, 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if partial disposal sale plan results in loss of control.

IFRS 7 (Amendment) – "Improving disclosures about Financial Instruments" (effective for period beginning on or after January 01, 2009). The amendment introduces a three level hierarchy for fair value measurement disclosures and requires entities to provide additional disclosures about the relative reliability of fair value measurements.

IFRS 8 – "Operating segments" (effective for period beginning on or after January 01, 2009) introduces the management's approach to segment reporting. It will require a change in presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group's chief operating decision maker in order to assess each segment's performance and to allocate resources to them.

IFRIC 17 – "Distributions of non – cash assets to owners" (effective for period beginning on or after July 01, 2009). It 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.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is the Group's functional currency.

2.4 Critical accounting estimates and judgments

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

1) Defined Benefit Plan (note 7.1)
2) Contingencies (note 11)
3) Useful life and residual value of fixed assets (note 12)
4) Provision for slow moving/obsolete items (note 15)
5) Stock in Trade (note 16)
6) Provision for doubtful trade debts (note 17)
7) Provision for taxation (note 31)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

Accounts of the Group have been prepared on historical cost convention except as has been stated below in respective policy notes.

3.2 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements.

For the purposes of consolidation, income and expense items of the foreign subsidiaries are translated at annual average exchange rate. All monetary and non monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date except for share capital which is translated at historical rate. Exchange differences arising on the translation of foreign subsidiaries are classified as equity reserve until the disposal of interest in such subsidiaries.

Foreign currency transactions are translated into Pak Rupees at the rates ruling on the transaction date or as fixed under contractual arrangements.

Exchange differences are included in current year's income

3.3 Borrowing cost

Mark-up, interest and other charges on loans are capitalized upto the date of commissioning of the respective qualifying assets. All other mark-up, interest, profit and other charges are charged to income.

3.4 **Retirement benefits**

Defined benefit plan

The Group operates unfunded gratuity schemes for all its eligible employees who are not part of the provident fund scheme.

The Group accounts for gratuity provision on the basis of actuarial valuation on projected unit credit method. The actuarial gains and losses arising at each valuation date are recognised immediately in the profit and loss account.

Staff retirement benefits are payable to employees on completion of the prescribed qualifying period of service under the scheme.

Defined Contribution Plan

The Group operates an approved funded contributory provident fund for its eligible employees to which equal monthly contribution is made by the Group and the employees.

3.5 **Employee compensated absences**

The Group provides for compensated absences for all eligible employees in the period in which these are earned in accordance with the rules of the Group.

3.6 **Provisions**

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

3.7 **Taxation**

Current

Provision for current taxation is based on taxable income at the current rates of taxation after considering tax credits and rebates, if any.

Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statement and their tax base. This is recognised on the basis of the expected manner of the realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable the future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

3.8 **Property, plant and equipment**

Operating assets

These are stated at cost less accumulated depreciation and impairment, if any except leasehold land which is stated at cost. No amortisation is provided on leasehold land since the lease is renewable at the option of the lessee. Depreciation is charged on reducing balance method at rates specified in the respective note. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year and no depreciation is charged on assets in the year of their disposal. Gains and losses on disposal of fixed assets are included in current year's income.

During the year the Group has changed its accounting estimate for charging depreciation on structures on leasehold property. Previously depreciation was charged on structures on leasehold property using reducing balance method @10% per annum. Effective July 01, 2008, the cost of such structures on leasehold property is amortized over the respective period of lease term.

Had this revision not been made, profit after taxation for the current year would have been lower by Rs. 0.6 million, the aggregate net book value of building on leasehold land would have been lower by Rs. 0.6 million, and the profit after taxation for future period would have been higher by Rs. 10 million.

Capital work-in-progress

Capital work-in-progress is stated at cost.

3.9 **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation. Amortisation is charged over the useful life of the assets on a systematic basis to income applying the straight line method at the rate specified in the respective note.

3.10 **Investments**

Investments available for sale

These are stated at fair value and changes in carrying values are recognized in equity until investment is sold or determined to be impaired at which time accumulated gain or loss previously recognized in equity is included in profit and loss account for the year.

Investments held to maturity

These are stated at amortized cost, less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment losses are charged to profit and loss account.

3.11 **Stores, spares and loose tools**

These are stated at average cost less slow moving provision and goods-in-transit are stated at actual cost.

3.12 **Stock-in-trade**

Raw materials are valued at lower of weighted average cost and net realisable value. Finished goods are valued at lower of average manufacturing cost and net realisable value. Work-in-process is valued at average cost of raw materials plus a proportion of the production overheads. Waste products are valued at net realisable value. Goods-in-transit are stated at actual cost.

3.13 **Trade debts**

Trade debts are carried at original invoice amount except export receivables. These are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements. Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

3.14 **Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.15 **Financial assets and liabilities**

All financial assets and 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, or cost, as the case may be.

3.16 **Derivative financial instruments**

The Group uses derivative financial instruments to hedge its risks associated with interest and exchange rate fluctuations. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of the derivative financial instruments is taken to the profit and loss account.

3.17 **Offsetting of financial assets and liabilities**

All financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Group 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 settle the liabilities simultaneously.

3.18 **Impairment**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

3.19 **Revenue recognition**

Revenue from sales of goods is recorded on dispatch of goods.
Returns on deposits and investments are recognized on accrual basis.

3.20 **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprises short term investment, cash and cheques in hand, with banks on current, savings and deposit accounts, running finance under mark-up arrangements and short-term finance.

3.21 **Dividend and appropriation to reserves**

Dividend and appropriation to reserves is recognized in the financial statements in the period in which these are approved.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2009	2008		2009	2008
			Rs. 000s	
38,797,566	30,517,756	Ordinary shares of Rs.10 each fully paid in cash	387,975	305,177
5,447,326	5,447,326	Ordinary shares of Rs.10 each fully paid under scheme of arrangement for amalgamation	54,473	54,473
19,233,656	19,233,656	Ordinary shares of Rs.10 each issued as fully paid bonus shares	192,337	192,337
63,478,548	55,198,738		634,785	551,987

4.1 **Reconciliation of the number of shares outstanding**

	2009	2008
	(Numbers of shares)	
Number of shares outstanding at the beginning of the year	55,198,738	55,198,738
Add: 15% Right issue of shares during the year	8,279,810	–
	63,478,548	55,198,738

5. RESERVES

	2009	2008
Revenue reserve		
General reserve	1,900,000	1,740,000
Add: Transfer from profit and loss account	50,000	160,000
(This represents appropriation of profit in past years to meet future exigency)	1,950,000	1,900,000
Exchange difference on translation of foreign subsidiaries	33,787	25,376
Capital reserve		
Share premium	180,493	180,493
Add: Premium on right shares issued during the year	248,394	–
	428,887	180,493
Book difference of share capital under scheme of arrangement for amalgamation	21,559	21,559
	450,446	202,052
Statutory reserve	6,587	4,411
	2,440,820	2,131,839

6. LONG TERM FINANCING - SECURED

	Note	Number of Installments and commencement Month	Installment amount (Rs. 000s)	Mark-up rate per annum	2009	2008
					Rs. 000s	
Habib Bank Limited Loan 3 Under State Bank of Pakistan (SBP) scheme of Long Term Finance - Export Oriented Projects (LTF-EOP)	6.1, 6.5	5 half yearly April-2007	116,666	6.00% p.a. payable quarterly	116,666	233,332
Habib Bank Limited Loan 4	6.1, 6.5					
a) Under LTF-EOP scheme		12 half yearly June-2010	5,416	7.00% p.a. payable quarterly	64,995	64,995
b) Under LTF-EOP scheme		12 half yearly May-2010	4,450	7.00% p.a. payable quarterly	53,405	53,405
Habib Bank Limited Loan 5 Under LTF-EOP scheme	6.1, 6.5	12 half yearly December-2010	2,571	7.00% p.a. payable quarterly	30,851	30,851

	Note	Number of Installments and commencement Month	Installment amount (Rs. 000s)	Mark-up rate per annum	2009	2008
					Rs. 000s	
Habib Bank Limited Loan 6 Under LTF-EOP scheme	6.1	12 half yearly February-2010	9,510	7.00% p.a. payable quarterly	114,122	114,122
Habib Bank Limited Loan 7 Under LTF-EOP scheme	6.1, 6.5	12 half yearly January-2010	778	7.00% p.a. payable quarterly	9,332	9,332
Habib Bank Limited Loan 8	6.1					
a) Under LTF-EOP scheme		12 half yearly January-2010	1,698	7.00% p.a. payable quarterly	20,376	20,376
b) Under LTF-EOP scheme		12 half yearly February-2010	139	7.00% p.a. payable quarterly	1,663	1,663
Habib Bank Limited Loan 9	6.1	Repaid during the year	–		–	4,192
Habib Bank Limited Loan 10 Under State Bank of Pakistan (SBP) scheme of Long Term Financing Facility (LTFF)	6.1	16 half yearly July-2011	11,054	10.00% p.a. payable quarterly	176,866	–
Habib Bank Limited Loan 11 Under LTFF scheme	6.1	16 half yearly August-2011	562	10.00% p.a. payable quarterly	8,995	–
Habib Bank Limited Loan 12 Under LTFF scheme	6.1	16 half yearly October-2011	710	10.00% p.a. payable quarterly	11,359	–
United Bank Limited Loan 1	6.3	Repair during the year	–	Six month T-Bill+1.00% Payable half yearly	–	25,000
United Bank Limited Loan 2 Original Loan due in September 2008 rolled over for the period of five years.	6.3	10 half yearly March-2009	50,000	8.3% fixed rate plus 0.85% upto September-2008 and three months KIBOR+ 1.00% after roll over date payable half yearly	450,000	500,000
United Bank Limited Loan 3 Under LTF-EOP scheme	6.3, 6.5	12 half yearly April-2010	931	7.00% p.a. payable quarterly	11,172	11,172
United Bank Limited Loan 4	6.3	6 half yearly August-2010	48,199	Average six months KIBOR Ask rate+1.00% payable half yearly	289,192	289,192
United Bank Limited Loan 5 Under LTFF scheme	6.3	16 half yearly November-2010	363	10.00% p.a. payable quarterly	5,806	5,806
United Bank Limited Loan 6	6.3	6 half yearly March-2011	25,000	Average six months KIBOR Ask rate+1.25% payable half yearly	150,000	–

	Note	Number of Installments and commencement Month	Installment amount (Rs. 000s)	Mark-up rate per annum	2009	2008
					Rs. 000s	
National Bank of Pakistan Loan1	**6.3**	6 half yearly December-2007	43,988	Average six months KIBOR Ask rate+1.25% Payable half yearly	87,976	175,952
National Bank of Pakistan Loan 1-A Under LTF-EOP scheme	**6.3, 6.5**	7 half yearly June-2007	62,296	7.00% p.a. payable quarterly	186,888	249,184
National Bank of Pakistan Loan 2	**6.1**	6 half yearly September-2008	24,295	Average six months KIBOR Ask rate+1.50% Payable half yearly	97,178	145,767
National Bank of Pakistan Loan 2-A Under LTF-EOP scheme	**6.1, 6.5**	6 half yearly September-2008	5,706	7.00% p.a. payable quarterly	28,528	34,233
National Bank of Pakistan Loan 3	**6.3**	25 quarterly September-2009	4,000	Average three months KIBOR Ask rate+1.00% Payable quarterly	100,000	100,000
Bank Al-Habib Limited Loan 1 Under LTF-EOP scheme	**6.2, 6.5**	12 half yearly December-2008	2,315	7.00% p.a. payable quarterly	25,460	27,775
Habib Metropolitan Bank Loan 1	**6.2,**					
a) Under LTF-EOP scheme	**6.5**	12 half yearly March-2010	684	7.00% p.a. payable quarterly	8,200	8,200
b) Under LTF-EOP scheme		12 half yearly April-2010	2,042	7.00% p.a. payable quarterly	24,500	24,500
Habib Metropolitan Bank Loan 2 Under LTF-EOP scheme	**6.2, 6.5**	12 half yearly November-2010	19,417	7.00% p.a. payable quarterly	233,000	233,000
HSBC Bank Middle East Ltd Loan 1						
a) Under LTF-EOP scheme	**6.2, 6.5**	12 half yearly October-2010	2,883	7.00% p.a. payable quarterly	34,599	34,599
b) Under LTF-EOP scheme		12 half yearly November-2010	1,038	7.00% p.a. payable quarterly	12,451	12,451
HSBC Bank Middle East Ltd Loan 2 Under LTF-EOP scheme	**6.2, 6.5**	12 half yearly December-2010	1,838	7.00% p.a. payable quarterly	22,061	22,061
HSBC Bank Middle East Ltd Loan 3 Under LTF-EOP scheme	**6.2**	12 half yearly January-2010	875	7.00% p.a. payable quarterly	10,497	10,497
HSBC Bank Middle East Ltd Loan 4 Under LTF-EOP scheme	**6.2**	12 half yearly March-2010	844	7.00% p.a. payable quarterly	10,129	10,129

	Note	Number of Installments and commencement Month	Installment amount (Rs. 000s)	Mark-up rate per annum	2009	2008
					Rs. 000s	
Allied Bank Limited Loan 1	**6.3**	12 quarterly March-2010	16,667	Average three months KIBOR Ask rate+1.00% payable quarterly	200,000	200,000
Allied Bank Limited Loan 2 Under LTFF scheme	**6.3**	32 quarterly July-2010	9,256	10.00% p.a. payable quarterly	296,201	296,201
Meezan Bank Ltd. Diminishing Musharaka 1	**6.3**	6 half yearly February-2011	15,266	Average six months KIBOR Ask rate+1.00% payable half yearly	91,594	–
Meezan Bank Ltd. Diminishing Musharaka 2	**6.3**	6 half yearly June-2011	1,449	Average six months KIBOR Ask rate+1.50% payable half yearly	8,696	–
Meezan Bank Ltd. Diminishing Musharaka 3	**6.3**	6 half yearly July-2011	5,253	Average six months KIBOR Ask rate+1.50% payable half yearly	31,516	–
NIB Bank Limited Under LTFF scheme	**6.3**	16 quarterly June-2010	2,839	9.00% p.a. payable quarterly	45,417	–
					3,069,691	2,947,988
Current portion shown under current liabilities					(503,087)	(593,671)
					2,566,604	2,354,317

6.1 These loans are secured by first pari passu charge over present and future fixed assets of the Parent Company and equitable mortgage over land and building.

6.2 These loans are secured by hypothecation charge over specified machinery.

6.3 These loans are secured by way of pari passu charge over the fixed assets of the Parent Company.

6.4 Habib Metropolitan Bank is a related party.

6.5 Grace period of one year in payment of principle outstanding under LTF-EOP facilities was allowed by the banks as per State Bank of Pakistan SMEFD Circular No. 01 dated January 22, 2009.

7. DEFERRED LIABILITIES

	2009	2008
	Rs. 000s	
Deferred taxation - 7.1	139,273	124,773
Deferred liability for staff gratuity - 7.2.1	11,945	5,547
	151,218	130,320

7.1 Deferred taxation

Credit/(debit) balances arising in respect of timing differences relating to:

	2009	2008
Accelerated tax depreciation allowance	146,197	130,510
Provision for gratuity	(1,051)	(574)
Provision for doubtful debts	(3,027)	(2,499)
Provision for slow moving items	(2,846)	(2,664)
	139,273	124,773

	2009	2008
	Rs. 000s	

7.2 DEFERRED LIABILITY FOR STAFF GRATUITY

7.2.1 Movement in liability

	2009	2008
Balance as at July 01	5,547	6,105
Charge for the year - note 7.2.3	10,496	2,747
Payments to the fund	(4,098)	(3,305)
Balance as at June 30	11,945	5,547

7.2.2 Changes in present value of defined benefit obligation

	2009	2008
Balance as at July 01	5,547	6,105
Current service cost	8,744	2,213
Interest cost	2,577	654
Actuarial gain	(825)	(120)
Benefits paid	(4,098)	(3,305)
Balance as at June 30	11,945	5,547

7.2.3 Charge for the year

	2009	2008
Current service cost	8,744	2,213
Interest cost	2,577	654
Actuarial gain	(825)	(120)
	10,496	2,747

7.2.4 Principal actuarial assumptions

	2009	2008
Expected rate of increase in salaries (% per annum)	12	12
Discount rate (% per annum)	15	15

8. TRADE AND OTHER PAYABLES

	2009	2008
Creditors	1,147,322	820,823
Due to associated undertakings	6,894	10,359
Murabaha (note 8.1)	199,220	4,600
Accrued expenses	348,577	278,933
Advance from customers	18,927	38,498
Workers' profit participation fund (note 8.2)	10,290	12,107
Unclaimed dividend	429	351
Others	14,535	13,041
	1,746,194	1,178,712

8.1 Murabaha is secured by pari passu hypothecation charge over stores and spares, stock-intrade, trade debts and other receivables. Unavailed murabaha facility at the year end was Rs. 301 million (2008: Rs. 495 million). The effective rate of profit ranges from 7.5% to 18.14% (2008: 7.5% to 10.35%).

8.2 Workers' profit participation fund

	2009	2008
Opening balance as at July 1	12,107	14,172
Provision for the year	9,123	10,840
Interest for the year	1,167	1,267
	22,397	26,279
Less: Payments made during the year	12,107	14,172
Closing balance as at June 30	10,290	12,107

	2009	2008
	Rs. 000s	
9. ACCRUED INTEREST		
Mark-up on long term loans (secured)	64,071	51,842
Mark-up on short term borrowings (secured)	114,334	94,387
	178,405	146,229
10. SHORT TERM BORROWINGS - SECURED		
Short term bank borrowings	5,068,367	4,940,930
Short term running finance	356,028	315,230
	5,424,395	5,256,160

Short term borrowings are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables and Rs. 92.187 million (2008: Rs. 46.375 million) which is secured against counter guarantee of the ultimate Parent Company, lien on deposit of Gul Ahmed International FZC and against offset of bank balances. Unavailed facility at the year end was Rs. 2,278 million (2008: Rs. 3,318 million). The facility for short term borrowings mature within twelve months. Short term borrowings include Rs. 601 million (2008: Rs. 484 million) from related party.

Mark-up rates range from 3.68% to 18.52% (2008: 3.28% to 15.44%) per annum.

11. CONTINGENCIES AND COMMITMENTS

11.1 Group owns and possesses a plot of land measuring 44 acres in Deh Khanto, which is appearing in the books at a cost of Rs. 64 million. Group holds title deeds of the land which are duly registered in its name. Ownership of the land has been challenged in the Sindh High Court by some claimants who claim to be the owners, as this land was previously sold to them and subsequently resold to the Group. The claim of the alleged owners is fictitious. The Group is confident that its title to the land is secure and accordingly no provision has been made in these financial statements.

11.2 The Group has filed a suit in the Sindh High Court for recovery of Rs.33.409 million (2008: Rs.33.409 million) included in other receivables. Group's management and its legal counsel are of the opinion that the case will be decided in the Group's favour and as such no provision has been made there against.

11.3 The Group has filed a petition in the Sindh High Court against order passed by the Board of Trustees, Employees Old-Age Benefits Institution (EOBI) for upholding the unjustified additional demand of payment raised by EOBI for accounting years 2000-2001 and 2001-2002 amounting to Rs. 50.827 million (2008: Rs. 50.827 million). This demand has been raised after lapse of more than two years although the records and books of the Group were verified by the EOBI to their entire satisfaction and finalization of all matters by EOBI. The honorable Sindh High Court has already restrained EOBI for taking any action or proceedings against the Group. No provision has been made there against in these financial statements as the Group is confident of the favourable outcome of the petition.

11.4 Three directors/shareholders of the Group had filed a complaint against the Group and its Chief Executive to the Securities & Exchange Commission of Pakistan (SECP) for gross misconduct, misdeed, breach of fiduciary obligations, embezzlement and misappropriation, noncompliance of corporate governance. The SECP after affording an opportunity to all concerned, and after duly scrutinizing the contents of the complaint, have found the reply of the Group in order and disposed off the complaint with no action against the Group. Thereafter these directors/shareholders filed a petition against the Group and the others including SECP under section 290 read with section 305 of the Companies Ordinance, 1984 for appointment of an investigative auditor or alternately pass order for winding up the Group, in the Sindh High Court at Karachi. The Group has strongly defended the suit and provided all replies with evidences to the honorable High Court. The Group has also sought opinion/advice of its legal counsel and has been advised that the Group has a strong case and that there is every likelihood that the Petitioners will be found not entitled to the relief that they are seeking. Hence these accounts have been prepared on a going concern basis. The case is pending for hearing.

11.5 **Guarantees**

(a) Rs.104 million (2008: Rs. 107 million) against guarantees issued by Banks which are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables.

(b) Post dated cheques Rs. 38 million (2008: Rs. 13 million) issued to various Government Agencies.

(c) Bills discounted Rs. 335 million (2008: Rs. 584 million).

(d) Corporate guarantee of Rs. 57.210 million (2008: Rs. 53.829) has been issued to a bank in favour of subsidiary company.

11.6 The Group is committed for capital expenditure as at June 30, 2009 of Rs. 257 million (2008: Rs. 182 million).

11.7 The Group is committed for non capital expenditure items under letters of credits as at June 30, 2009 of Rs. 286 million (2008: Rs. 27 million).

12. PROPERTY, PLANT AND EQUIPMENT

	2009	2008
	Rs. 000s	
Operating assets - 12.1	6,077,026	5,345,418
Capital work in progress - 12.2	35,608	487,420
	6,112,634	5,832,838

12.1 OPERATING ASSETS

	Leasehold land	Buildings on leasehold land	Plant and machinery	Office equipment	Furniture and fixtures	Transport equipment	Total
	Rupees in thousand						
Net carrying value basis year ended June 30, 2009							
Opening net book value (NBV)	234,107	1,017,050	3,858,839	88,576	44,554	102,291	5,345,418
Addition (at Cost)	–	217,034	1,053,099	60,433	10,220	62,969	1,403,756
Transfer (at Cost)	–	(1,620)	1,620	–	–	–	–
Disposal/adjustment at NBV	–	–	(19,883)	(2,145)	(1,762)	(8,900)	(32,690)
Depreciation charge	–	(122,590)	(451,494)	(27,446)	(5,754)	(32,174)	(639,458)
Closing net book value	**234,107**	**1,109,874**	**4,442,181**	**119,419**	**47,259**	**124,186**	**6,077,026**
Gross carrying value basis as at June 30, 2009							
Cost	234,107	1,749,235	7,844,156	297,646	79,524	268,709	10,473,377
Accumulated depreciation	–	(639,361)	(3,401,975)	(178,227)	(32,265)	(144,523)	(4,396,351)
Net book value	**234,107**	**1,109,874**	**4,442,181**	**119,419**	**47,259**	**124,186**	**6,077,026**
Net carrying value basis year ended June 30, 2008							
Opening net book value (NBV)	234,107	971,124	3,067,077	81,942	45,084	88,718	4,488,053
Addition (at Cost)	–	156,126	1,164,683	28,835	5,050	48,430	1,403,124
Disposal at NBV	–	–	(20,444)	(274)	(93)	(8,324)	(29,135)
Depreciation charge	–	(110,200)	(352,477)	(21,927)	(5,487)	(26,533)	(516,624)
Closing net book value	**234,107**	**1,017,050**	**3,858,839**	**88,576**	**44,554**	**102,291**	**5,345,418**
Gross carrying value basis as at June 30, 2008							
Cost	234,107	1,533,821	6,877,156	251,495	75,012	237,488	9,209,079
Accumulated depreciation	–	(516,771)	(3,018,317)	(162,919)	(30,458)	(135,197)	(3,863,661)
Net book value	**234,107**	**1,017,050**	**3,858,839**	**88,576**	**44,554**	**102,291**	**5,345,418**
Depreciation rate % per annum	**–**	**10**	**10**	**15 to 30**	**10 to 12**	**20 to 25**	

12.1.1 Additions to plant and machinery include borrowing cost amounting to Rs. 17 million (2008: Rs. 14 million). Mark-up rates range from 10% to 17.67% (2008: 7% to 11.29%).

12.1.2 Depreciation charge for the year has been allocated as follows:

		2009	2008
Cost of goods manufactured	(note 25.1)	575,106	464,005
Administrative expenses	(note 27)	64,352	52,619
		639,458	516,624

12.1.3 Details of operating assets sold (by negotiation except where stated) **Rs. 000s**

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Plant and machinery	41,113	7,637	10,038	Faisal Enterprises R-75, Block A, Bagh-e-Malir, Malir Karachi
	14,282	3,190	5,500	Bismillah Textiles Limited 1KM Jaran Wala Road, Khurram Wala Faisalabad
	12,591	2,393	3,950	Lucky Cotton Mills (Pvt) Ltd. 707, 7th Floor, Business Centre Mumtaz Hassan Road Off: I.I. Chundrigar Road Karachi
	8,307	1,436	1,925	Fashion Knit Industries Plot # C-30, Mangopir Road S.I.T.E., Karachi
	10,608	4,824	1,196	Stock Prints Austria GMBH Austria
Office equipment, furniture and fixtures	391	130	141	Aslam Motiwala Furniture Aram Bagh, Karachi
	2,575	796	849	Excellence Furniture Mart Liaquatabad Furniture Market Karachi
	3,281	107	109	Global Computers Equipment Jang Press, I.I. Chundrigar Road Karachi
	1,230	50	52	Ice Computer Equipment Bahadurabad, Karachi
	862	128	147	Punjwani Electric Store Densohall, M.A. Jinnah Road Karachi
	268	55	63	Rajput Photostate Custom House, Punjabi Club Kharadar Karachi
	2,917	520	596	Techno Airconditioning Saddar, Karachi
	5,706	1,122	–	Scrapped
Transport equipment	599	261	360	Mr. Unaiz Haroon G-1 Yousuf Height, JM-715/4 Fatima Jinnah Colony Jamshad Road No. 3 Karachi
	1,189	331	476	Ms. Sughra Salma House # 64/1, Street # 21 Khayaban-e- Badban, DHA, Karachi
	367	65	215	Mr. Muhammad Azeem Suri House # R-203, Sector 11-C-1 Latif Nagar, North Karachi

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Transport equipment (continued)	500	120	310	Mr. Muhammad Farhan Khan House # 307, Gulberg, F.B. Area Block # 2, Karachi
	1,576	180	350	Mr. Abdul Qadir House # N-2927, Metroviel # 3 Gulshan-e-Iqbal, Block-2, Karachi
	590	205	254	Haji Muhammad Arif House # 404, Classic Heights Maqboolabad, CP Bearer Society Bahadurabad, Karachi
	745	106	430	Shaikh Muhammad Ejaz House # C-28, Block-2 P.E.C.H.S., Karachi
	590	164	236	Mr. Tanveer Hassan House # B-222, Sareena Tower Sakhi Hassan Churangi Karachi
	355	51	170	Mr. Mohammad Farooq House # 08, Floor # 2, AM3 Sunny SITE Building Karachi
	555	99	167	Mr. Shahnawaz House # R-55, Block-A Al-Fallah Bagh, Malir Karachi
	500	120	285	Syed Naveed Hussain Rizvi House # L-42, Bilal Town Sector 5C/2 North Karachi
	1,159	207	595	Mr. Raza-ur-Rehman House # 3/483, Shah Faisal Colony # 3 Karachi
	349	78	260	Mr. Muhammad Umair Siddiqui House # R-761, Block-17 F.B. Area, Karachi
	825	184	443	Mr. Saghir-uz-Zaman Flat # C-3, Supreme Heights Sector 15A/5 Buffer Zone, North Karachi
	585	163	234	Mr. Muhammad Iqbal Godil (Employee) House # A/70, Block-4, New Dhoraji Colony Gulshan-e-Iqbal, Karachi
	889	127	250	Mr. Muhammad Ashraf House # A/304, Colony Gate North Sultan Shah Main Shahrah-e-Faisal, Karachi

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Transport equipment (continued)	889	127	350	Mr. Ahmed Nehal Jafri (Employee) House # 71-D, Askari IV Rashid Minhas Road Karachi
	751	69	300	Mr. Riazat Hussain (Ex-Employee) House # 49, Street-18, Khayaban-e-Mujaheed Phase-5, DHA, Karachi
	586	140	372	Mr. Muhammad Arshad Khan Qaddafi Town, Quaidabad, Landhi House # B-199, Karachi
	1,342	368	806	Mr. Mehmood Flat# A-21, Eastern Apartment Rashid Minhas Road, Gulshan-e-Iqbal Block#6, Karachi
	1,173	426	751	Mr. Nouman Hassan Khan House # A-908/12, Gulberg, Ancholi F.B. Area, Karachi
	845	294	600	Syed Asghar Abbas Zaidi House # 1, Street # 4 & 5, Plot # SB Gulshan-e-Iqbal, Karachi
	899	391	602	Mr. Javed Aman Castle, Plot # 153/5 Flat # C-24, Garden East, Karachi
	1,145	288	786	Syed Muhammad Aamir Shah House # 104-J, P.E.C.H.S. Block # 2, Karachi
	862	303	338	Mr. Abdul Aziz Khan House # 64/1, Street # 21 Khayaban-e-Badban, Phase-5 DHA, Karachi
	496	173	382	Mr. Muhammad Waqas House # 24/Q, P.E.C.H.S. Block # 2, Karachi
	1,434	209	1,138	Mr. Hakim Khan House # B-49, Sector 11-B, North Karachi
	845	294	343	Mr. Muhammad Yameen Asghar House # B-83, Block-7, Gulshan-e-Jauhar Karachi
	5,845	1,464	3,788	Mr. Muhammad Aamir House # B-514, New Fatima Jinnah Colony Sector 11-E, North Karachi
	177	75	86	Mr. Hosain Sharjah, UAE
	2,809	2,104	2,413	Insurance Claim
Written down value below Rs. 50,000 each	3,332	490	1,012	Various
2009	138,937	32,064	43,668	
2008	126,953	29,135	36,556	

12.2 CAPITAL WORK-IN-PROGRESS

Rs.. 000s

	Cost at July 01, 2008	Capital expenditure incurred during the period	Transferred to tangible fixed assets	Cost at June 30, 2009
Machinery under installation and store items held for capitalization	407,289	569,213	(946,401)	30,101
Building construction	80,131	172,181	(246,805)	5,507
As at June 30, 2009	487,420	741,394	(1,193,206)	35,608
As at June 30, 2008	217,705	1,502,796	(1,233,081)	487,420

12.2.1 Additions to capital work-in-progress include borrowing cost amounting to Rs. Nil (2008: Rs. 2 million).

13. INTANGIBLE ASSETS

	2009 Computer Software	2009 Trade Marks	2009 Total	2008
	Rs. 000s			
Net carrying value basis - year ended June 30				
Opening net book value (NBV)	28,215	5,603	33,818	31,167
Additions (at cost)	14,456	340	14,796	18,143
Amortization charge	(13,788)	(1,301)	(15,089)	(15,492)
Closing net book value	28,883	4,642	33,525	33,818
Gross carrying value basis - as at June 30				
Cost	105,309	6,937	112,246	97,450
Accumulated amortization	(76,426)	(2,295)	(78,721)	(63,632)
Net book value	28,883	4,642	33,525	33,818
Amortization rate % per annum	20	10		

13.1 The cost is being amortized over a period of ten years. Remaining useful life ranges from one to nine years.

14. LONG TERM LOANS AND ADVANCES

	2009	2008
Considered good, due from		
Executives		
Opening balance as at July 1	5,786	6,395
Add: Disbursement	770	3,200
	6,556	9,595
Less: Repayment	(4,140)	(3,809)
Closing balance as at June 30	2,416	5,786
Less: Receivable within one year	(1,703)	(3,285)
	713	2,501
Other employees	3,023	2,880
Less: Receivable within one year	(1,474)	(1,876)
	1,549	1,004
	2,262	3,505

14.1 Loans and advances have been given for the purchase of cars, scooters and household equipment and housing assistance in accordance with the terms of employment and are repayable in monthly installments. These loans are secured against outstanding balance of provident fund, end of service dues and guarantees by two employees.

Included in these are loans of Rs. 2.4 million (2008: Rs. 7.8 million) which carry no interest. The balance amount carries interest ranging from 10.5% to 15%.

Maximum balance due from executives at the end of any month during the year was Rs. 5 million (2008: Rs. 8 million)

	2009	2008
	Rs. 000s	
15. STORES, SPARES AND LOOSE TOOLS		
Stores including in transit Rs. 7 million (2008: Rs. 10 million)	252,931	227,517
Spares including in transit Rs. 12 million (2008: Rs. 8 million)	218,432	280,901
Loose tools	2,804	2,907
	474,167	511,325
Less: Provision for slow moving/obsolete items		
- at beginning of the year	25,368	24,918
- for the year	1,736	450
	27,104	25,368
	447,063	485,957
16. STOCK-IN-TRADE		
Raw materials	673,071	1,060,814
Work-in-process	119,794	120,005
Finished goods	3,148,079	1,782,286
	3,940,944	2,963,105
17. TRADE DEBTS		
Export debts - secured	1,464,413	1,138,123
Local debts - unsecured		
Considered good	1,208,384	1,506,772
Considered doubtful	28,832	23,801
	1,237,216	1,530,573
Less: Provision for doubtful trade debts		
- at beginning of the year	23,801	22,970
- for the year	5,031	831
	28,832	23,801
	2,672,797	2,644,895

	2009	2008
	Rs. 000s	
18. LOANS AND ADVANCES		
Considered good		
Current portion of loans and advance to employees (note 14)	3,177	5,161
Suppliers	95,036	102,731
Advance income tax	22,037	16,708
Letters of credit	27,720	111
	147,970	124,711
19. PREPAYMENTS		
Prepayments	41,971	46,201
20. ACCRUED INTEREST	18,598	18,093
21. OTHER RECEIVABLES		
Rebate receivable	3,593	9,152
Research and development claim	55,116	119,490
Duty drawback receivable	35,448	18,181
Others (note 21.1)	47,972	33,663
	142,129	180,486
21.1 **Others**		
Receivable against sale of property	33,409	33,409
Others	14,563	254
	47,972	33,663
22. TAX REFUNDS DUE FROM GOVERNMENT		
Sales tax refundable	50,745	41,892
Income tax refundable	5,877	26,640
	56,622	68,532
23. CASH AND BANK BALANCES		
Cash and cheques in hand	46,575	31,914
With banks in - current accounts	58,657	48,793
- short term deposits	57,394	990
	162,626	81,697

Cash and bank balance include Rs. 51 million (2008: Rs. 21 million) with related party.

	2009	2008
	Rs. 000s	

24. SALES

	2009	2008
Local	5,876,155	5,227,868
Export	8,288,085	6,840,943
	14,164,240	12,068,811
Add: Duty drawback	70,506	58,844
Less: Brokerage and commission	27,298	26,104
	14,207,448	12,101,551

24.1 Sales are exclusive of sales tax amounting Rs. 9.890 million (2008: Rs. 4.255 million).

25. COST OF SALES

	2009	2008
Opening stock of finished goods	1,782,286	1,796,734
Add: Cost of goods manufactured (note 25.1)	10,179,890	7,627,006
Purchases and processing charges	2,891,448	2,538,122
	14,853,624	11,961,862
Less: Closing stock of finished goods	3,148,079	1,782,286
	11,705,545	10,179,576

25.1 Cost of goods manufactured

	2009	2008
Raw materials consumed (note 25.2)	4,696,489	3,508,821
Stores consumed	1,817,051	1,309,915
Salaries, wages and benefits	1,610,957	1,273,903
Fuel, power and water	1,110,992	751,654
Insurance	44,534	38,578
Repairs and maintenance	319,576	303,253
Depreciation	575,106	464,005
Other expenses	54,589	39,179
Cost of samples shown under distribution cost	(49,615)	(32,185)
	10,179,679	7,657,123
Work-in-process		
Opening	120,005	89,888
Closing	(119,794)	(120,005)
	211	(30,117)
	10,179,890	7,627,006

Salaries, wages and benefits include Rs. 25 million (2008: Rs. 15 million) and Rs. 8 million (2008: Rs. 15 million) in respect of retirement benefits and staff compensated absences respectively.

25.2 Raw materials consumed

	2009	2008
Opening stock	1,060,814	467,213
Purchases during the year	4,308,746	4,102,422
Closing stock	(673,071)	(1,060,814)
	4,696,489	3,508,821

	2009	2008
	Rs. 000s	

26. DISTRIBUTION COST

	2009	2008
Freight and shipment expenses	154,284	128,452
Insurance	2,265	1,831
Advertisement and publicity	142,083	84,891
Cost of samples transferred from cost of goods manufactured	49,615	32,185
Rent, rates and taxes	90,801	45,038
Other expenses	49,398	35,815
	488,446	328,212

27. ADMINISTRATIVE EXPENSES

	2009	2008
Salaries and benefits	358,741	283,364
Rent, rates and taxes	44,704	34,676
Repairs and maintenance	19,818	22,074
Vehicle up keep	55,602	42,717
Conveyance and traveling	48,550	50,393
Printing and stationery	31,422	30,716
Postage and telecommunication	39,295	29,756
Legal and consultancy fees	41,436	32,990
Depreciation/amortization	79,441	68,110
Auditors' remuneration (note 27.1)	2,410	1,360
Donations (note 27.2)	2,340	1,635
Insurance	8,919	6,964
Doubtful trade debts	5,031	987
Provision for slow moving/obsolete items	1,736	450
Other expenses	44,543	13,760
	783,988	619,952

Salaries and benefits include Rs. 12 million (2008: Rs. 10 million) and Rs. 1 million (2008: Rs. 1 million) in respect of retirement benefit and staff compensated absences respectively.

27.1 Auditors' remuneration

	2009	2008
Audit fee	2,276	1,283
Half yearly review	30	30
Audit of workers' profit participation fund and other services	12	12
Out of pocket expenses	92	35
	2,410	1,360

27.2 None of the Directors or their spouses have any interest in the donees.

28. OTHER OPERATING EXPENSES

	2009	2008
Workers' profit participation fund	9,123	10,840
Workers' welfare fund	3,467	4,119
Loss on sale of operating assets	3,683	91
Fixed assets scrapped	1,122	–
	17,395	15,050

	2009	2008
	Rs. 000s	

29. OTHER OPERATING INCOME

	2009	2008
Income from financial assets		
Gain on redemption of money market fund	–	4,336
Interest income from loan and advances	345	256
Income from non-financial assets		
Profit on sale of operating assets	16,409	7,512
Unclaimed liabilities written back	2,421	–
Scrap sales	6,005	5,079
Others	2,248	1,123
	27,428	18,306

30. FINANCE COST

	2009	2008
Mark-up on long term loans	320,809	181,215
Mark-up on short term borrowings	642,443	365,932
Interest on workers' profit participation fund	1,167	1,267
Bank charges	37,647	24,109
Exchange loss on foreign currency loans (note 30.1)	33,158	175,355
	1,035,224	747,878

30.1 Includes swap loss of Rs. Nil (2008: swap loss Rs. 105 million).

30.2 Mark-up on long term/borrowings include Rs. 66 million (2008: Rs. 42 million) in respect of loan/borrowings from related parties.

31. PROVISION FOR TAXATION

	2009	2008
Current	83,787	67,235
Prior	(7,849)	–
Deferred	14,500	33,000
	90,438	100,235

31.1 **Reconciliation between accounting profit and tax expe**

	2009	2008
Net profit for the year before taxation	204,278	229,189
Tax rate	35%	35%
Tax on accounting profit	71,497	80,216
Income not chargeable to tax	(11,259)	(8,338)
Tax on prior years	(7,849)	–
Tax effect of income assessed under FTR	45,742	24,405
Other (including tax effect of expenses that are not allowable in determining taxable profit and change in allocation ratio of revenue chargeable under FTR and non FTR)	(7,693)	3,952
	90,438	100,235

32. EARNINGS PER SHARE

	2009	2008
Profit for the year	113,840	128,954
Weighted average number of shares	55,266,791	55,198,738
Earnings per share (Rs.)	2.06	2.34

There is no dilutive effect on the earnings per share of the Group.

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2009			Rs. 000s	2008			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration	2,400	5,200	98,451	106,051	2,400	5,200	76,238	83,838
House rent allowance	960	2,080	39,382	42,422	960	2,080	30,495	33,535
Other allowances	240	687	21,517	22,444	240	687	15,828	16,755
Contribution to provident fund	200	433	7,428	8,061	200	433	5,850	6,483
	3,800	8,400	166,778	178,978	3,800	8,400	128,411	140,611
Number of persons	1	3	95	99	1	3	78	82

33.1 The Chief Executive, Directors and certain Executives are provided with free use of Group cars and are covered under Group's Health Insurance Plan alongwith their dependents.

33.2 The Chief Executive and two Directors are also provided with free residential telephones.

33.3 Aggregate amount charged in the accounts for the year for meeting fee to five Directors was Rs. 6 (000) (2008: five Directors Rs. 4 (000)).

34. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiaries, associated companies, companies where directors also hold directorship, directors of the Group and key management personnel. The Group in the normal course of business carried out transactions with various related parties.

Relationship with the Company	Nature of Transactions	2009 Rs. 000s	2008
Associated Companies and other related parties	Purchase of goods	26,028	28,428
	Sale of goods	218	15,628
	Rent paid	4,530	3,900
	Fees paid	375	563
	Deposit with bank (at year end)	51,102	21,450
	Borrowing from bank (at year end)	866,858	749,967
	Bank Guarantees (at year end)	64,469	53,779
	Bills discounted	361,913	145,989
	Commission/Bank charges paid	16,511	12,141
	Mark-up/interest charged	66,071	41,521
	Mark-up/interest earned	3	248
	Provident fund contribution	28,950	22,922

There are no transactions with directors of the Group and key management personnel other than under the terms of employment. Loans and remuneration of the key management personnel are disclosed in Notes 15 and 34 respectively.

Related parties status of outstanding receivables and payable as at June 30, 2009 are included in respective notes to the financial statements.

35. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of Parent Company in their meeting held on October 05, 2009 has proposed to transfer to revenue reserve from un-appropriated profit of Rs. 80 million (2008: transfer to revenue reserve Rs. 50 million) subject to the approval of members at the Annual General Meeting to be held on October 30, 2009.

36. CAPACITY AND PRODUCTION

	Unit	2009 (000s) Capacity	Production	Working	2008 Capacity	Production
Cloth	Sq. meters (50 Picks converted)	118,870	85,180	3 shifts	118,870	78,536
Yarn	Kgs. (20 Counts converted)	48,227	37,857	3 shifts	38,877	32,241

Production is lower due to variation in production mix and various technical factors. Moreover capacity shown above is for the full year whereas machinery added during the year was put into commercial operation gradually.

37. FINANCIAL INSTRUMENTS:

37.1 Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seek to minimize potential adverse effects on the Group's financial performance.

Risk Management is carried out under policies and principles approved by the Board. All treasury related transactions are carried out within the parameters of these policies and principles.

37.1.1 Market risks

Market risk refers to fluctuation in value of financial instruments as a result of changes in market prices. The Group manages market risk as follows:

a) Foreign exchange risk management

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

The Group is exposed to foreign exchange risk arising from currency value fluctuations primarily with respect to the United States Dollar (USD), Euro and Pound sterling.

b) Price risk

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

c) Interest/markup rate risk management

Interest rate risk is the risk that the value of financial instruments will fluctuate due to change in the interest/mark-up rates. The Group has long term finance and short term borrowings at fixed and variable rates. The Group is exposed to interest / markup rate risk on long and short term financing and these are covered by holding "Prepayment Option" and "Rollover Option". Interest rate risk on short term borrowings is covered by holding "Prepayment Option" which can be exercised upon any adverse movement in the underlying interest rates.

Financial assets include balances of Rs. 60 million (2008: 2 million) which are subject to interest rate risk. Financial liabilities include balances of Rs. 8,704 million (2008: Rs. 8,221 million) which are subject to interest rate risk. Applicable interest rates for financial assets and liabilities are given in respective notes.

FINANCIAL ASSETS AND LIABILITIES

Rs. 000s

	Interest/mark-up bearing			Non Interest/mark-up bearing			2009 Total	2008 Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		
Financial assets								
Long term deposits	–	–	–	–	29,034	29,034	29,034	15,599
Trade debts	–	–	–	2,683,119	–	2,683,119	2,683,119	2,644,895
Loans and advances	1,387	1,644	3,031	1,790	618	2,408	5,439	10,236
Other receivables	–	–	–	70,163	–	70,163	70,163	60,908
Cash and bank balances	57,394	–	57,394	105,232	–	105,232	162,626	81,697
	58,781	1,644	60,425	2,860,304	29,652	2,889,956	2,950,381	2,813,335
Financial liabilities								
Long term loans	503,087	2,566,604	3,069,691	–	–	–	3,069,691	2,947,988
Short term borrowings	5,424,395	–	5,424,395	–	–	–	5,424,395	5,256,160
Trade and other payables	209,510	–	209,510	1,495,899	–	1,495,899	1,705,409	1,111,552
Accrued interest	–	–	–	178,405	–	178,405	178,405	146,229
	6,136,992	2,566,604	8,703,596	1,674,304	–	1,674,304	10,377,900	9,461,929
Off balance sheet items								
Financial commitments								
Guarantees	–	–	–	104,043	–	104,043	104,043	106,670
Bills discounted	–	–	–	334,891	–	334,891	334,891	583,788
Commitments	–	–	–	543,294	–	543,294	543,294	208,748
	–	–	–	982,228	–	982,228	982,228	899,206

37.1.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Group manages credit risk interalia by setting out credit limits in relation to individual customers and / or by obtaining advance against sales and / or through letter of credits and/or by providing for doubtful debts. Also the Group does not have significant exposure in relation to individual customer. Consequently the Group believes that it is not exposed to any major concentration of credit risk.

The Group is exposed to credit risk from its operating and certain investing activities and the Group's credit risk exposures are categorised under the following headings:

37.1.2.1 **Trade debts**

Trade debts are essentially due from local and foreign companies and the Group does not expect that these companies will fail to meet their obligations. The Group established an allowance for the doubtful trade debts that represent its estimate of incurred losses in respect of trade debts. This allowance is based on the management assessment of a specific loss component that relates to individually significant exposures.

37.1.2.2 **Bank balances**

The Group limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

37.1.2.3 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

37.1.2.4 Financial assets that are either past due or impaired

The credit quality of financial assets that are either past due or impaired can be assessed by reference to historical information and external ratings or to historical information about counter party default rates.

a) Long term loans

The Group obtains guarantees by two employees against each disbursement made on account of loans and these can be assessed by reference to note no. 14. The carrying amount of guarantees are up to the extent of loans outstanding as at the date of default. Furthermore the guarantor will pay the outstanding amount if the counter party will not meet their obligation. In addition this loans are secured against outstanding balance of provident fund and end of service dues of the relevant employee.

The Group believes that no impairment allowance is necessary in respect of loans that are past due. The Group is actively pursuing for the recovery of the debt and the Group does not expect these employees will fail to meet their obligations.

b) Trade debts

The movement in allowance for impairment in respect of trade debts during the year can be assessed by reference to note no.17.

The Group believes that no impairment allowance is necessary in respect of trade debts past due other than the amount provided. Trade debts are essentially due from local and foreign companies. The Group is actively pursuing for the recovery of the debt and the Group does not expect these companies will fail to meet their obligations.

c) Other receivables

The Group believes that no impairment allowance is necessary in respect of receivable that are past due. The Group is actively pursuing for the recovery and the Group does not expect that the recovery will be made soon and can be assessed by reference to note no. 21.

37.1.3 Liquidity risk

Liquidity risk represent the risk where the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2009, the Group has Rs. 7,702 million (2008: Rs. 8,574 million) available borrowing limit from financial institutions. Unutilized borrowing facilities of Rs. 2,278 million (2008: Rs. 3,318 million) and also has Rs. 53 million (2008: Rs. 37 million) being balances at banks. Based on the above, management believes the liquidity risk is not significant.

37.2 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described in respective notes.

37.3 **Capital risk management**

The primary objectives of the Group when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

38. DETAIL OF SUBSIDIARIES

	Accounting year end	Percentage of holding	Country of incorporation
Gul Ahmed International Limited (FZC)	June 30, 2009	100%	U.A.E.
GTM (Europe) Limited	June 30, 2009	100%	U.K.

39. DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 5, 2009 by the Board of Directors of the Parent Company.

40. CORRESPONDING FIGURES

For better presentation reclassifications/re-arrangements made in the financial statements are as follow:

Reclassification from component	Reclassification to component	Amount Rs. 000s
Sales	**Distribution Cost**	
Export sales	Freight and shipment expenses	148,133
Export sales	Insurance	2,265
Short term borrowings	**Trade and other payables**	
Murabaha	Murabaha	199,220
Tax refunds due from government	**Other receivables**	
Research and development claim	Research and development claim	55,116
Duty drawback receivable	Duty drawback receivable	35,448

41. GENERAL

Figures have been rounded off to the nearest thousand rupees.

BASHIR ALI MOHOMMAD
Chairman and Chief Executive

ZAIN BASHIR
Director

Form Of Proxy

I/We ____

of ____

being a member of GUL AHMED TEXTILE MILLS LIMITED and holder of ____________________

Ordinary Shares hereby appoint ______________________________

of ____

or failing him/her ______________________________________

of ______________________________ another member of the Company,

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 57th ANNUAL GENERAL MEETING of the Company to be held on October 30, 2009 or at any adjournment thereof.

1) Witness ____________________

Name ____________________

Address ____________________

CNIC No. ____________________

Signed by me this ____________ day of ________ 2009

Signed ______________________________

Affix Revenue
Stamp Rs. 5.00

2) Witness ____________________

Name ____________________

Address ____________________

CNIC No. ____________________

Folio No./CDC Account No. ____________________

Notes:

1. A member entitled to vote at the meeting may appoint a proxy. Proxies in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.

2. Proxies granted by shareholders who have deposited their shares into Central Depository Company of Pakistan Limited must be accompanied with attested copies of the Computerized National Identity Card (CNIC) or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.

3. A proxy must be a member of the Company.

4. If the member is a corporation its common seal should be affixed to the proxy.

5. In case of CDC Account Holders, attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.