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22nd Annual Report 2009

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PREMIUM
TEXTILE
MILLS LIMITED

Premium Textile Mills Ltd.

ANNUAL REPORT 2009

CONTENTS: PAGE

COMPANY INFORMATION

Board of Directors	MR. ABDUL KADER HAJI ADAM	Chairman/Chief Executive
	MR. MOHAMMED YASIN SIDDIK	Executive Director
	MR. MOHAMMED ASLAM	Director
	MR. MOHAMMED ALI AKBANI	Director
	MR. MOHAMMED TUFAIL	Director
	MR. GHULAM MOHAMMED SURTI	Director
	MR. AZIZ HUSSAIN (NIT Nominee)	Director
	MR. AAMIR AMIN (NIT Nominee)	Director
Chief Financial Officer	MR. GHULAM MOHAMMED SURTI	
Company Secretary	MR.IQBAL CHAPRA	
Auditor	RAHMAN SARFARAZ RAHIM IQBAL RAFIQ Chartered Accountants	
Audit Committee	MR. MOHAMMED YASIN SIDDIK	Chairman
	MR. MOHAMMED ALI AKBANI	Member
	MR. MOHAMMED TUFAIL	Member
Chief Internal Auditor	MR. ALI RAZA JESSANI	
Bankers	BANK AL-HABIB LIMITED HABIB METROPOLITAN BANK LIMITED HABIB BANK LIMITED SONERI BANK LIMITED NATIONAL BANK OF PAKISTAN	
Registered Office	1st Floor, Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi. Phone: 32400405-8 Fax :32417908 Email: premhead@premiumtextile.com	
Factory	Plot 60-61 & 76-77, Main Super Highway, Nooriabad, Distt. Dadu (Sindh), Pakistan. Phone:(025)4670181, 4670228, 4670047	
URL	**www.premiumtextile.com**	

VISION STATEMENT

At Premium Textile Mills Ltd we envisage ourselves as a leading company in the manufacturing of value added yarn. Our relentless endeavors are directed to make our customers view Premium as a reliable brand that gets to the future first.

MISSION STATEMENT

Our mission is to manage and operate the company in a manner that allows continued growth and profitability without high risk for investors. We do this by offering quality products to our customers, by constantly striving to improve our product to meet our customer's needs and by trying to keep abreast of the new developments taking place in the textile world.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 22nd Annual General Meeting of the Shareholders of **PREMIUM TEXTILE MILLS LIMITED** will be held on **Thursday** the **15th October, 2009** at **10:00 a.m.** at registered office: 1st floor, Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi, to transact the following business:

1. To confirm minutes of the 21st Annual General Meeting held on October 27, 2008.
2. To receive, consider and adopt the Report of Directors, Auditors and Audited Accounts of the Company for the year ended 30th June, 2009.
3. To approve payment of dividend @ 7.50% (i.e. Rs.0.75 per share) as recommended by the Board of Directors.
4. To appoint Auditors for the next year 2009-2010 and fix their remuneration.
5. To transact any other business with the permission of the Chair.

By order of the Board of Directors

YASIN SIDDIK

Karachi:
the 10th September 2009

NOTES:

1. The Share Transfer Books of the Company will remain closed from 09th October 2009 to 15th October 2009 (both days inclusive).
2. A member entitled to attend, speak and vote at the Annual General Meeting may appoint another member as his/her proxy in order to be effective must be received at Registered Office of the Company not less than 48 hours before the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original NIC or Passport to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his/her NIC or Passport, Representatives of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to promptly notify the Company of any change in their address, if any.

CHAIRMAN/DIRECTORS' REPORT

Dear Shareholders,

The Directors are pleased to present to you the **22nd Annual Report** together with the audited accounts, of the company for the year ended **June 30, 2009** for your consideration and approval.

OPERATING RESULT

The comparative financial results are as follows:

	2009 Rupees	2008 Rupees
Operating Profit	**174,877,435**	158,073,909
Financial & others	**(172,601,778)**	(135,160,438)
Profit before taxation	**2,275,657**	22,913,471
TAXATION	**568,964**	(11,299,053)
Profit after taxation	**2,844,621**	11,614,418
Earning per share	**Rs.0.46**	Rs.1.88

The net sales during the year under review amounted to Rs.2,115 Million as compared to Rs.1,904 Million last year, showing increase of 11%, although quantity sold decreased by 8,752.62-bags i.e. 3% as compared to last year. The average selling price increased by 14%.

On the other hand the raw material cost i.e. Cotton went up from Rs.3,100 to Rs.3,400 per maund or 9.5%.

Financial cost during the year was also on the higher side due to increase in KIBOR rates (i.e. from 11% to 14.5-15%)

ADDITION OF FIXED ASSETS

During the year under review following Assets have been added.

Particulars
Building
Electricle installation for addition of 2000 spindles
Machinery for addition of 2000 spindles

FUTURE OUTLOOK

The future outlook of our Company depends upon the general outlook of the Pakistan Textile Industry as a whole as well as the law and order situation prevalent in the country and the repercussions of the war on terror as well as the forthcoming support from the Friends of Pakistan. We also hope for a larger local cotton crop due to the use of BT seeds and therefore greater availability of cotton. (The Electricity and Gas tariff as will play a major role in the profitability of the Industry and the Company).

One favorable factor in the costing equation is that the KIBOR rate has come down by 2% compared to the average of last year which should give significant savings.

The First ever Textile policy has also been announced which has some incentives in the shape of drawbacks and financial concessions for new investment and also for balancing and modernization and your company plans to take advantage of these incentives in the coming year.

On the whole, we are hoping for a better year going forward as compared to last year in the wake of strong yarn demand from China and other countries.

COORPORATE & FINANCIAL REPORTING FRAME WORK

The Board is taking care of its responsibilities as mentioned in the Code of Corporate Governance established by SECP. Your company is committed to standards of corporate governance and continually seeking improvements. The company applies the principles contained in the Code in the following manner:

a) The financial statements, prepared by the company, fairly presents its state of affairs in operations, cash flows and changes in equity.

b) Proper books of account have been maintained.

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

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any deviation has been adequately disclosed.

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

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

g) There has been no material deviation from the best practices of corporate governance, as mentioned in the listing regulations.

h) Your Company's record shows growth in terms of quantity in the sales of value added yarn as per plan and the management is optimistic about recovery from depressed sales prices particularly in local market. Keeping in view future prospects regarding sales, your company has improved its production performance by making capital expenditure in different departments of the mill. This was done in line with the company's objective of providing quality product.

i) During the year under review, four Board of Directors meetings were held and attended as follows:

Name of Directors		No. of Meetings Attend
01- Mr. Abdul Kadir Adam		3
02- Mr. M.Yasin Siddik		4
03- Mr. Tufail Sattar		3
04- Mr. M. Ali Akbani		1
05- Mr. G. M. Surti		4
06- Mr. Aslam Parekh		2
07- Mr. Aamir Amin	(N.I.T)	3
08- Mr. Aziz Hussain	(N.I.T)	3

(However, leave of absence was granted to the Directors who could not attend the Board Meetings due to their preoccupations).

j) During the year under review, trading in shares of the Company by the Directors, CEO and their spouses are as follows:

	Opening Balance 01-07-2008	Purchase	Sale	Closing Balance 30-06-2009
Mr. Abdul Kadir Adam	309,110	-	-	309,110
Mr. Yasin Siddik	284,075	-	-	284,075
Mrs. Nabila Kadir (W/o Kadir Adam)	2,598,665	-	-	2,598,665
Mrs. Nabila Yasin (W/o Yasin Siddik)	120,000	-	-	120,000

AUDIT COMMITTEE

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee and the following Directors are its members:

Mr. Yasin Siddik	Chairman
Mr. Mohammad Ali Akbani	Member
Mr. Mohammad Tufail	Member

AUDITORS

The present auditors of the Company M/s. Rehman Sarfaraz Rahim Iqbal Rafiq (Chartered Acccountants) retire and being eligible, offer themselves for reappointment as Auditor for the ensuring year.

PATTERN OF SHAREHOLDING

The pattern of share holding of the company as at June 30, 2009 is annexed.

ACKNOWLEDGMENT:

The Board is pleased to record its appreciation to its bankers for their continued support, its staff member and workers for their hard work. The Board would also praise the valued share holders for their confidence & moral support.

On behalf of Board of Directors

Karachi:
the 10th September, 2009

(YASIN SIDDIK)

KEY OPERATING AND FINANCIAL RESULTS

(Rupees in '000)

	2009	2008	2007	2006	2005	2004
OPERATING DATA						
Sales (net)	2115058	1903811	1483866	1452791	872518	901831
Cost of Goods Sold	1899248	1707104	1332066	1260775	751990	821151
Gross Profit	215810	196707	151801	192016	120528	80680
Operating Profit	174877	158074	116828	158182	97564	53056
Financial charges & others	172602	135160	101767	121976	59867	30546
Profit / (Loss) before taxation	2276	22913	15061	36206	37697	22510
Profit / (Loss) after taxation	2845	11614	6838	40115	36198	9213
FINANCIAL DATA						
Shareholders equity	206852	208621	201448	205023	172028	140258
Surplus on revaluation of Plant & Machinery	13944	15493	17215	19127	21388	25392
Sub Ordinated loan	40000	40000	40000	40000	40000	0
Long term liabilities	248184	239181	218772	238798	226413	181611
Deferred liabilities	43137	45269	42784	44190	55113	56809
Current liabilities	856671	999662	732598	686000	1085059	713241
	1408787	**1548226**	**1252816**	**1233139**	**1600000**	**1117311**
Fixed Assets	586675	637081	643434	623028	593113	449877
Long Term Deposit	853	6404	6404	8059	9692	3594
Current Assets	821259	904741	602978	602052	997195	663840
	1408787	**1548226**	**1252816**	**1233139**	**1600000**	**1117311**
KEY RATIOS						
Gross Margin	10.20%	10.33%	10.23%	13.22%	13.81%	8.95%
Operating Margin	8.27%	8.30%	7.87%	10.89%	11.18%	5.88%
Net profit	0.13%	0.61%	0.46%	2.76%	4.15%	1.02%
Current Ratio	0.97	0.99	0.93	1.00	1.00	1.02
Earning Per Share (Rs.)	0.46	1.88	1.11	6.51	5.87	1.49
Break-up value of shares	Rs.33.56	Rs.33.85	Rs.32.69	Rs.33.27	Rs.27.91	Rs.22.76
Cash Dividend %	**7.50%**	**10%**	**10%**	**20%**	**15%**	**10%**
STATISTICS						
Spindles Installed	41136	39072	36672	36672	33576	28416
Spindles Worked	38324	38373	36231	35630	33326	28254
Production Capacity Conversion 20/s in Kgs.	13469586	13305499	11777211	11411842	7704854	7144725
Actual Production Conversion 20/s in Kgs.	12809235	13020002	11878969	11596572	8215619	7364848

PATTERN OF HOLDING OF SHARES
AS AT JUNE 30, 2009

NO OF SHARES HOLDERS	SHARES HOLDING			TOTAL SHARES HOLD
459	1	TO	100	40,625
60	101	TO	500	21,875
26	501	TO	1000	24,500
16	1001	TO	5000	39,500
5	5001	TO	10000	46,500
5	10001	TO	15000	61,300
2	15001	TO	20000	36,700
1	20001	TO	25000	21,000
1	30001	TO	35000	34,400
1	45001	TO	50000	46,200
1	90001	TO	95000	90,700
4	110001	TO	115000	442,800
1	115001	TO	120000	120,000
1	240001	TO	245000	240,910
1	280001	TO	285000	284,075
1	400001	TO	405000	404,250
1	805001	TO	810000	809,523
1	830001	TO	835000	833,877
1	2560001	TO	2600000	2,563,265
588				6,163,000

CATEGORIES OF SHARES HOLDERS
AS AT JUNE 30, 2009

	NUMBER OF SHARE-HOLDERS	TOTAL SHARES HELD	PERCENTAGES (%)
Individuals	579	4,111,644	66.71%
Investment Companies	7	407,456	6.61%
Financial Institution	2	1,643,900	26.67%
Total	588	6,163,000	100%

Detail of Categories of Shareholders
As at June 30, 2009

Shareholders' Category		No. of Share Holders	Shares Held
INDIVIDUALS			
DIRECTORS, CEO THEIR SPOUCES AND MINOR CHILDREN			
Mr. Abdul Kader Haji Adam	(Chief Executive)		309,110
Mr. Mohammad Yasin Siddik	(Director)		284,075
Mr. Mohammad Aslam	(Director)		11,600
Mr. Mohammad Ali Akbani	(Director)		3,000
Mr. Mohammad Tufail Sattar	(Director)		3,000
Mr. Ghulam Mohammad Surti	(Director)		3,000
Mrs. Nabila Kadir w/o Kadir Adam			2,598,665
Mrs. Nabila Yasin w/o Yasin Siddik			120,000
Miss Sadia Yasin d/o Yasin Siddik			10,000
Mr. Zaid Yasin s/o Yasin Siddik			10,000
		10	**3,352,450**
INDIVIDUALS		**569**	759,194
INVESTMENT COMPANIES		**7**	407,456
FINANCIAL INSTITUTION			
NIT/ICP			
National Bank of Pakistan - Trustee Department			1,643,400
Investment Corporation of Pakistan			500
		2	**1,643,900**
GRAND TOTAL		**588**	**6,163,000**

Shareholders holding 10% or More Voting interest in the Company

Total Paid-up Capital of the Company	6,163,000 Shares	
10% of the Paid-up Capital	616,300 Shares	
FINANCIAL INSTITUTION	**Shares Held**	**Percentage**
National Bank of Pakistan - Trustee Department	1,643,400	26.67
DIRECTORS, CEO THEIR SPOUSES AND MINOR CHILDREN		
Mrs. Nabila Kadir w/o Kadir Adam	2,598,665	42.16

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE (See clause XIV)

Name of Company : **PREMIUM TEXTILE MILLS LIMITED**
Year Ended : **JUNE 30, 2009**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of listing regulations of **Karachi Stock Exchange (Guarantee) Ltd.**, 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 principle contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and none directors representing minority interests on its Board of Directors. At present the Board includes two independent director representing NIT 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 any NBFI or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurred during the financial year 2008-2009 has been filed within 30-days of its occurrence.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all concerned.
6. The Board has developed vision and mission statement, overall corporate strategy and significant policies of the Company, which have been approved by the board in its meeting. A complete record of particulars of significant policies along-with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and the Board has taken 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 his purpose and the Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board plans to arrange orientation courses for its directors during the financial year to apprise them of their duties and responsibilities.
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, of whom two are non-executive directors.

16. The meeting of the audit committee was 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 formed and advised to the committee for compliance.

17. The Board has set-up an internal audit function, which are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they (or their representatives) are involved in the internal audit function.

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 person's associates with them have not been appointment 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. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

YASIN SIDDIK

Karachi:
Dated: the 10th September, 2009

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Premium Textile Mills Limited,** ("the Company") to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange where the Company is listed.

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

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

Based on our reviewing, 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 for the Company for the year ended on **June 30, 2009.**

Karachi:
Dated: 10th September, 2009

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

AUDITORS REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Premium Textile Mills Limited** ("the Company") as at June 30, 2009 and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that—

(a) in our opinion, proper books of 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 accounts and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was- for the purpose of the company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & 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 Profit, 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;

Karachi:
Dated: 10th September, 2009

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

BALANCE SHEET AS AT

	Note	2009 Rupees	2008 Rupees
SHARE CAPITAL			
Authorized capital			
7,000,000 (2008: 7,000,000) ordinary shares of Rs. 10/- each		70,000,000	70,000,000
Issued, subscribed and paid-up capital 6,163,000 (2008: 6,163,000) ordinary shares of Rs.10/- each fully paid in cash		61,630,000	61,630,000
Unappropriated profit		145,221,578	146,990,635
		206,851,578	208,620,635
SURPLUS ON REVALUATION OF PLANT AND MACHINERY - net of tax	4	13,943,906	15,493,229
SUB ORDINATED LOANS	5	40,000,000	40,000,000
LONG TERM FINANCE	6	248,184,298	228,563,636
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	-	10,617,389
DEFERRED LIABILITIES			
Staff gratuity	8	4,689,391	5,916,449
Taxation	9	38,447,185	39,352,632
		43,136,576	45,269,081
CURRENT LIABILITIES			
Trade and other payables	10	52,381,509	59,580,093
Markup accrued on loans	11	39,187,552	21,146,138
Short term Borrowings	12	755,289,357	825,585,144
Current portion of long term finance	13	9,475,966	83,363,920
Taxation		336,483	9,986,938
		856,670,867	999,662,232
CONTINGENCIES AND COMMITMENTS	14	-	-
		1,408,787,225	1,548,226,203

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

Karachi:
Dated: 10th September, 2009

JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
PROPERTY PLANT & EQUIPMENT	15	**586,675,452**	637,080,949
LONG TERM DEPOSITS		**852,840**	6,404,323
CURRENT ASSETS			
Stores and spares	16	**23,824,242**	29,102,883
Stock in trade	17	**323,289,836**	347,564,207
Trade debts - unsecured - considered good	18	**444,457,348**	481,520,451
Loan and advances	19	**15,496,251**	29,165,824
Trade deposits, Short term prepayments and other receivables	20	**11,971,116**	14,581,856
Cash and bank balances	21	**2,220,140**	2,805,710
		821,258,933	904,740,931
		1,408,787,225	1,548,226,203

CHIEF EXECUTIVE **DIRECTOR**

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

	Note	2009 Rupees	2008 Rupees
Sales - net	22	2,115,057,955	1,903,810,670
Cost of good sold	23	(1,899,247,696)	(1,707,103,719)
Gross Profit		215,810,259	196,706,951
Administrative expenses	24	24,531,638	23,045,794
Distribution & marketing expenses	25	16,401,186	15,587,248
		(40,932,824)	(38,633,042)
Operating Profit		174,877,435	158,073,909
Finance cost	26	172,330,341	127,658,806
Other Operating (Income)/Loss	27	103,757	6,295,660
Workers profit participation fund	10.1	122,167	1,205,972
Workers welfare fund	10	45,513	-
		(172,601,778)	(135,160,438)
Profit before taxation		2,275,657	22,913,471
Provision for taxation:			
– Current		(336,483)	9,986,938
– Deferred	28	905,447	1,312,115
		568,964	(11,299,053)
Profit after taxation		2,844,621	11,614,418
Transfer from Surplus on revaluation current period net - of tax		1,549,322	1,721,470
Earnings per share - basic & diluted	29	0.46	1.88

Appropriation have been reflected in the statement of changes in equity.

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

CHIEF EXECUTIVE **DIRECTOR**

Karachi:
Dated: 10th September, 2009

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30,2009

	2009 Rupees	2008 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	**2,321,170**	22,913,471
Adjustments for:		
- Depreciation	**63,801,007**	64,877,337
- Financial charges	**172,330,341**	127,658,806
- Provision for W.P.P.F.	**122,167**	1,205,972
- Provision for staff gratuity	**5,637,887**	4,621,970
- Exchange loss on foreign currency loan	**-**	7,674,410
- Exchange gain on debtors	**-**	(738,754)
- (Gain)/Loss on disposal of Property, Plant and Equipment	**103,757**	(134,234)
	241,995,159	205,165,507
Operating profit before working capital changes	**244,316,329**	228,078,978
CHANGES IN WORKING CAPITAL :		
(Increase) / Decrease in current assets		
Stores and spares	**5,278,641**	(9,733,309)
Stock in trade	**24,274,371**	(108,639,907)
Trade debts - net off exchange gain	**37,063,107**	(181,556,900)
Loans and advances	**13,669,573**	4,983,472
Trade deposits, prepayments and other receivables	**2,623,818**	3,279,854
Increase / (Decrease) in current liabilities		
Creditors, accrued and other liabilities	**(6,160,299)**	14,367,425
	76,749,211	(277,299,365)
Cash (outflow) from operations	**321,065,540**	(49,220,387)
Taxes (paid)/claimed	**(9,986,939)**	(14,851,765)
Payment of W.P.P.F.	**(1,289,695)**	(849,697)
Staff gratuity paid	**(6,864,945)**	(3,448,592)
Financial charges paid	**(154,205,202)**	(124,079,471)
	(172,346,781)	(143,229,525)
Net cash from operating activities	**148,718,759**	(192,449,912)

	2009 Rupees	2008 Rupees
CASH FLOW FROM INVESTING ACTIVITIES		
Long term deposits	50,000	-
Proceed from sale of property, plant and equipment	875,000	3,125,000
Fixed capital expenditure	(14,387,345)	(132,284,337)
Net cash (outflow) from investing activities	(13,462,345)	(129,159,337)
	135,256,414	(321,609,249)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term loan	(41,987,463)	(68,177,272)
Long term loans obtained	-	104,700,000
Repayment of lease liability	(17,395,735)	(14,815,123)
Short term foreign currency finance	-	(245,798,807)
Dividend paid	(6,163,000)	(6,163,000)
Net cash from/(used in) financing activities	(65,546,198)	(230,254,202)
Net (Decrease)/Increase in cash and cash equivalent	69,710,217	(551,863,451)
Cash and cash equivalent at the beginning of the year	(822,779,434)	(270,915,983)
Cash and cash equivalent at the end of the year	(753,069,217)	(822,779,434)
CASH & CASH EQUIVALENT:		
Cash & bank balances	2,220,140	2,805,710
Short term running finance	(755,289,357)	(825,585,144)
	(753,069,217)	(822,779,434)

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE **DIRECTOR**

Karachi:
Dated: 10th September, 2009

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

	Share Capital	Unappropriated Profit	Total
Balance as at June 30, 2007	61,630,000	139,817,747	**201,447,747**
Profit for the year	–	11,614,418	**11,614,418**
Transferred from Surplus on Revaluation of fixed assets on account of incremental depreciation:			
- current period - net of tax	–	1,721,470	**1,721,470**
Dividend paid- year 2006-07	–	(6,163,000)	**(6,163,000)**
Balance as at June 30, 2008	61,630,000	146,990,635	**208,620,635**
Profit for the year	–	**2,844,621**	**2,844,621**
Transferred from Surplus on Revaluation of fixed assets on account of incremental depreciation:			
- current period - net of tax	–	**1,549,322**	**1,549,322**
Dividend paid- year 2007-08	–	**(6,163,000)**	**(6,163,000)**
Balance as at June 30, 2009	**61,630,000**	**145,221,578**	**206,851,578**

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

CHIEF EXECUTIVE **DIRECTOR**

Karachi:
Dated: 10th September, 2009

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2009

1 THE COMPANY AND ITS OPERATION

The company is limited by shares incorporated in Pakistan on March 03, 1987 and quoted on Karachi Stock Exchange. The principal activity of the Company is the manufacture and sale of Cotton and Polyester Yarn. The address of its registered office is 1st floor, Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

b) **Basis of measurement**
These financial statements have been prepared under the historical cost convention except for measurement of certain plant and machinery at revalued amounts and certain staff retirement benefits which have been measured at present value.

c) **New accounting standards, interpretations and amendments that are not yet effective**
The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after July 01, 2009 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

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

Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Company's financial statements.

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

Amendment to IFRS 2 - Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Company's financial statements.

Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard will not effect the Company's separate financial statements.

Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) 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 subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of this standard is not likely to have an effect on the Company's financial statements.

IFRS 8 - Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that 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. Currently, the Company presents segment information in respect of its business and geographical segments. This standard will have no effect on the Company's reported total profit or loss or equity.

IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.

IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

The Accounting Standards Board made certain amendments to existing standards as part of its annual improvement project.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items.

IFRS 5 (Amendment) - Non-current assets held-for-sale and discontinued operations.

IAS 23 (Amendment) - Borrowing costs - definition of borrowing costs and use of effective interest method has been amended.

IAS 36 (Amendment) - Impairment of assets. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

IAS 38 (Amendment) - Intangible assets. A prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

IAS 19 (Amendment) - Employee benefits. The amendment among other things clarifies treatments in case of plan amendments and modifies definition of return on plan assets.

IAS 28 (Amendment) - Investments in associates (and consequential amendments to IAS 32 - Financial Instruments: Presentation and IFRS 7 - Financial instruments: Disclosures).

IAS 31 (Amendment) - Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7).

IAS 40 (Amendment) - Investment property (and consequential amendments to IAS 16).

IAS 41 (Amendment) - Agriculture.

Amendment to IFRS 7 - Improving disclosures about financial instruments.

IFRIC Interpretation 17 – Distribution of non-cash assets to owners.

d) **Functional and presentation currency**
These Financial statements are presented in Pakistani Rupee which is the company's functional currency.

e) **Use of estimates and judgments**
The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimated and associated assumptions are based on historical experience and various other factors that are beloved to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are revised if the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting in Pakistan, that have significant effect on the financial statements and estimates with a significant effect on the financial statement risk of material adjustment in subsequent years are disclosed in note 36 to these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

3.1 Employees' retirement benefit

The company operates an approved gratuity scheme-unfunded for all employees eligible for the benefit. The latest actuarial valuation was carried out as at 30 June, 2009. Contribution is made on the basis of actuarial recommendations using the Project Unit Credit Method with the following significant assumptions for the valuation of the scheme:

- discount rate at 12% per annum
- expected rate of increase in salary level at 11% per annum

Unrecognized actuarial gains or losses are amortized over the expected average remaining working lives of the employees participating in the plan in accordance with International Accounting Standards (IAS) 19 "Employees Benefits".

3.2 Provisions

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

3.3 Trade and other payables

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

3.4 Taxation

Current:
Provision for current taxation is based on taxable income at the current tax rates of taxation after taking into account tax credit and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessment framed/ finalized during the year.

Deferred:
Deferred taxation is recognized using the balance sheet liability method on all major temporary difference arising between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax assets is recognizes only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. The company also recognizes deferred tax asset/liability on deficit/surplus on revaluation of operating fixed assets which is adjusted against the related deficit/surplus in accordance with the requirements of the International Accounting Standard 12, 'Income Taxes'.

3.5 Property, plant and equipment

These are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any), except for capital work - in - progress which is stated at cost less accumulated impairment losses (if any). All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work - in - progress. These are transferred to specified assets as and when assets are available for use.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate assets, as appropriate, only when it is probable that future benefits associated with the items will flow to the Group and the cost of the item can be measured reliably.

An assets carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the recoverable amount.

Depreciation is charged on all property, plant and equipment using reducing balance method in accordance with the rates specified in the note 15.2 to these financial statements and after taking into account residual value, if any.

Depreciation on addition is charged from the Quarter in which the assets become available for use while on disposals depreciation is charged upto the Quarter of deletion.

Any surplus arising on revaluation of property, plant and equipment is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

Repairs and maintenance are charged to income as and when incurred.

Gains/ losses on disposal of property, plant and equipment are charged to the profit and loss account currently, except that the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

Leased:
Assets subject to finance lease are accounted for by recording the assets and related liability. These are stated at lower of the present value of minimum lease payments under the lease agreements and fair value of the assets acquired on lease. Depreciation is charged on the same basis as used for own assets.

Financial charges under the lease agreements is allocated over the periods during the lease term, so as to produce a constant periodic rate of financial charge on the outstanding balance of principal liability of each period.

3.6 Impairment

The carrying amount of all assets not carried as fair value, is reviewed at each balance sheet date to determine whether there is any indication of impairment-of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets are estimated and impairment losses are recognized in the profit and loss account.

3.7 Financial Instruments

Financial assets
Financial assets are long term deposits, trade debts, advances, deposits, other receivable and cash & bank balances which have been stated in accordance with the requirement of IAS-39 (Financial Instruments: Recognition & Measurement). Financial assets are initially recognized at cost which is the fair value of the consideration given for it and subsequently these are carried at fair value.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term loans, liabilities against assets subject to finance lease, short term finances utilized under mark-up, arrangements, creditors, accrued and other liabilities and unclaimed dividends.

All financial liabilities are initially recognized at cost, which is the fair value of the consideration received at initial recognition. After initial recognition financial liabilities held for trading are carried at fair value and all other financial liabilities are measured at amortized cost, except for liabilities against assets subject to finance lease which are valued under IAS 17 as described above and interest free subordinated loans with undefined maturity period which are classified at cost.

Financial instruments are derecognized when the company losses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognizing of financial assets and financial liabilities is include in the profit and loss account for the year.

3.8 Offsetting of financial assets and financial liabilities

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

3.9 Stores & spares and packing material

Store, spares and packing material are valued at cost determined on the basis of moving average method less allowance for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred thereon.

3.10 Stock in trade

Raw material is valued at the lower of cost and net realizable value. Cost is arrived at on a weighted average cost basis. Cost of work-in-process and finished goods include cost of materials and appropriate portion of production overheads. "Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale. Stock of raw material in-transit is valued at invoice value plus other charges paid thereon.

3.11 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate for doubtful trade debt balances based on review of outstanding amounts. Trade debts and other receivable are written off when considered irrecoverable.

3.12 Cash & cash equivalent

Cash & cash equivalent comprises cash and bank balances, short term running finances that are payable on demand and form an integral part of the company's cash management and are included as a component of cash equivalents for a purpose of statement of cash flows.

3.13 Foreign currency translation

Transactions in foreign currencies are accounted for in rupees at the foreign exchange rates prevailing on the date of the transaction, Monetary assets and liabilities in foreign currencies are translated into rupees at the foreign exchange rates approximating those prevailing at the balance sheet date. All exchange differences arising on transaction are charged to the profit and loss account. Exchange gain on export debtors is charged to profit and loss through being clubbed with the sales figures.

3.14 Revenue recognition

Sales are recognized on dispatch of goods.

3.15 Borrowing Cost

Borrowing cost comprises of finance cost incurred upto the date the qualifying asset is ready for use and that is directly attributable to acquisition or construction of related fixed asset. Borrowing costs are charged to the profit and loss account in the year in which they are incurred.

3.16 Related Party Transactions

All transactions with related parties are priced on an arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to the seller.

4 SURPLUS ON REVALUATION OF PLANT AND MACHINERY

	2009 Rupees	2008 Rupees
Balance as July 01	**23,835,737**	26,484,153
Surplus relating to disposal of revalued assets transferred to retained earnings	-	-
Transferred to retained earnings in respect of incremental depreciation charged during the year - net of deferred tax	**(1,549,322)**	(1,721,470)
Related deferred tax liability	**(834,251)**	(926,945)
	(2,383,573)	(2,648,415)
Surplus on revaluation of fixed assets as at June 30,	**21,452,164**	23,835,738
Related deferred tax:		
- on Revaluation as at July 01,	**8,342,509**	9,269,454
- on Incremental depreciation charged during the year	**(834,251)**	(926,945)
- on disposal of revalued assets	-	-
	7,508,258	8,342,509
Balance as at June 30,	**13,943,906**	15,493,229

5. SUBORDINATED LOAN -

	2009	2008
SUBORDINATED LOAN -	**40,000,000**	40,000,000

This is an interest free loan obtained from directors and payable upon the repayment of the bank liabilities against which it was given.

6 LONG TERM LOAN

Particular	Term Loan Finance S.B.L	Term Loan (Import Mach) B.A.H.L(IV)	Term Loan (Import mach) B.A.H.L(V)	Term Loan (Import mach) B.A.H.L(VI)	Term Loan (Import mach) B.A.H.L(VII)	Term Loan (Import Vehicle) B.A.H.L(VIII)	Term Loan (Import mach) B.A.H.L(IX)	LTF-EOP	Term Loan (Import Vehicle) B.A.H.L(X)	Term Loan (Import mach) B.A.H.L(XI)	Term Loan (Import mach) B.A.H.L (XII)	Term Loan (Import mach) Restructured	2009 Rupees	2008 Rupees
Opening Balances	3,750,000	9,375,000	50,000,000	50,966,250	14,250,000	5,500,000	50,000,000	11,533,750	4,272,728	50,000,000	50,000,000	-	**299,647,728**	263,125,000
Received during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	104,700,000
Repaid during the year	(3,750,000)	(9,375,000)	(10,000,000)	(10,193,250)	(1,500,000)	(2,000,000)	-	(3,460,125)	(1,709,090)	-	-	-	**(41,987,465)**	(68,177,272)
Rescheduled	-	-	(40,000,000)	(40,773,000)	(12,750,000)	-	(50,000,000)	-	-	(50,000,000)	(50,000,000)	243,523,000	-	-
	-	-	-	-	-	3,500,000	-	8,073,625	2,563,638	-	-	243,523,000	**257,660,263**	299,647,728
CURRENT PORTION														
Current maturity shown under current liabilities	-	-	-	-	-	(2,000,000)	-	(5,766,875)	(1,709,090)	-	-	-	**(9,475,965)**	(71,084,092)
	-	-	-	-	-	1,500,000	-	2,306,750	854,548	-	-	243,523,000	**248,184,298**	228,563,636
Installment payment rest														
	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly		
No of installment	16	16	20	16	20	20	16	16	11	10	12	24		
Installment amount (million)	1.875	3.125	5.000	6.250	0.750	0.500	0.750	1.500	0.427	5.000	2.500	10.166		
Principal (Rupees in Million)	30	50	100	100	15	10	50	18	4.7	50	50	243.523		
Year of Sanction of Facility	2004	2002	2003	2004	2004	2005	2008	2005	2008	2008	2008	2008		
Date of first installment	9/1/2005	8/5/2005	14/07/2005	20/07/2005	17/11/2005	31/3/2006	17/02/2009	31/3/2006	26/5/2008	28/8/2010	5/8/2011	30/09/2010		
Rate of interest per annum	S.B.P discount rate+1%, Floor 5% & cap 9%	S.B.P discount Rate +1.5%	Equal to SBP discount rate	6 months avg KIBOR+1%	6 months avg KIBOR+1%	6 months avg KIBOR+1%	6 months avg KIBOR+1%	7% (i.e. 2% over SBP rate)	6 months avg KIBOR+1%	6 months avg KIBOR+1%	6 months avg KIBOR+1%	6 months avg KIBOR+1%		
Sub note number												6.1		

6.1 **Bank Al-Habib (Import of machinery)**

This represents the liability against term loan for the import of machinery by clubbing all six existing facilities mentioned against # V, VI, VII, IX, XI and XII in the schedule into a new consolidated term loan of Rs 243.523 million with effect from December 2008.

6.2 Please refer Note 12.1 for the details of securities against the above mention loans.

7. **LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	2009 Rupees	2008 Rupees
Opening balance	**22,897,217**	37,712,340
Adjustment of deposit	**(5,501,482)**	(1,676,350)
Repaid during the year	**(17,395,735)**	(13,138,773)
	(22,897,217)	(14,815,123)
Net carrying value	-	22,897,217
Current portion	-	(12,279,828)
	-	10,617,389

It includes the early payment of finance lease installments amouted to Rs 10.62 million which pertains to next year.

The value of minimum lease rental payments discounted at an implicit interest rate of approximately 11.50% - 17.25% per annum (June 2008; 11.50% -17.25% p.a.) to arrive at their present value. The amount of future payments and the periods during which they fall due are :

	2009		2008	
	Minimum Lease Payment	Present value of M.L.P.	Minimum Lease Payment	Present value of M.L.P.
Within one year	-	-	13,368,156	13,368,156
Later than one year but not later than the five years	-	-	10,809,212	9,529,061
	-	-	24,177,368	22,897,217
Unamortized financial charges	-	-	(1,280,151)	-
Present value of minimum lease payments	-	-	22,897,217	22,897,217
Current portion	-	-	(12,279,828)	(12,279,828)
	-	-	10,617,389	10,617,389

Finance Lease - Significant terms and conditions

Leasing Company	Pricipal (Rupees)	Installments Payment	Number of Installments	Commencement date	Implicit rate of finance per annum	Lease Rental (Rupees)
I.G.I Investment Bank Limited	15,000,000	Monthly	60	22 March, 2005	17.25%	279,722
I.G.I Investment Bank Limited	10,000,000	Monthly	14	18 May, 2005	17.25%	235,160
Faysal Bank Limited	2,039,000	Monthly	36	25 May, 2005	11.50%	56,611
Standard Chartered Modaraba	5,600,000	Monthly	36	10 March, 2005	15.22%	155,779
First Habib Modaraba	20,014,822	Monthly	60	14 Feb. 2005	16%	369,974
First Habib Modaraba	10,000,000	Monthly	60	17 Mar. 2005	16%	185,017

The Company exercised the option to purchase the leased assets upon completion of the lease period. There was no restriction imposed on the company under the lease agreements.

		Note	2009 Rupees	2008 Rupees
8	**STAFF GRATUITY**			
	Staff gratuity	8.1	4,689,391	5,916,449
	8.1 Reconciliation of Payable to Defined Benefit Plan			
	Present value of defined benefit obligation		4,936,589	6,184,622
	Less: Past cost service to be recognized in later periods		-	-
	Less: Actuarial losses/plus gains to be recognized in later period		(247,468)	(268,173)
	Less: Unrecognized additional liability (due to application of IAS-19) to recognized in later periods		-	-
			4,689,391	5,916,449
	Movement in net liability recognized			
	Opening net liability		5,937,154	4,743,071
	Experises recognized		5,637,887	4,621,970
			11,575,041	9,365,041
	Benefits paid during the year		(6,885,650)	(3,448,592)
			4,689,391	5,916,449
	Charge for Defined Benefit Plan			
	Current Service Cost		4,916,437	4,243,107
	Interest Cost		742,155	412,721
	Actuarial (Gains) and losses charge		(20,705)	(33,858)
	Past Service Cost charge		-	-
	Recognized Transitional liability		-	-
	Acturial valuation		5,637,887	4,621,970

Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation carried out as at July 23, 2009 using the Projected Unit Credit Method.

9. DEFERRED TAXATION

Represents the tax effect of taxable temporary difference relating to:

		2009 Rupees	2008 Rupees
Accelerated depreciation allowance		50,075,410	51,410,327
Debits arising in respect of provision for staff gratuity		(1,641,287)	(2,070,757)
Debits arising in respect of carry forward of minimum tax		(9,986,938)	(9,986,938)
		38,447,185	39,352,632

10 TRADE AND OTHER PAYABLES

	Note	2009 Rupees	2008 Rupees
Trade Creditors		16,997,861	16,337,095
Accrued Liabilities		33,512,535	39,795,055
Others payable to contractor		1,057,635	1,612,489
Workers' profit participation fund	10.1	122,167	1,205,972
Workers' welfare fund		45,513	-
Unclaimed Dividend		645,798	629,482
		52,381,509	59,580,093

		2009 Rupees	2008 Rupees
10.1 Workers' Profit Participation Fund			
Opening Balance		1,205,972	795,311
Add: Contribution for the year		122,167	1,205,972
Interest accrued		83,723	54,386
		205,890	1,260,358
		1,411,862	2,055,669
Less: Payment during the year		(1,289,695)	(849,697)
		122,167	1,205,972

11 MARKUP ACCRUED

Mark-up on			
- Short term finance		28,636,098	13,698,739
- Long term Loans		10,551,454	7,447,399
		39,187,552	21,146,138

12 SHORT TERM FINANCE

Secured under Mark-up arrangements			
Running/cash finances:			
- Bank Al-Habib	12.1	620,947,737	682,636,066
- National Bank Limited	12.2	97,880,704	98,467,980
-Habib Metropolitan Bank Limited	12.3	36,460,916	44,481,098
		755,289,357	825,585,144

12.1 Bank Al- Habib Limited

Purpose
These facilities are obtained for the purpose of working capital management & to finance export & import activities.

Limit

Running Finance	200 million
Cash Finance / Foreign Currency Import Finance	700 million

Security:
These facilities are secured by way of redg. hypothecation charge over book debts of Rs.480 million, pledge over stock of Rs. 310 million(net-off margin). Equitable mortgage charge shared with Soneri Bank Ltd of Rs. 500 million over factory property located at Plot No. 468 & 495 S.No. 60,61, 76 & 77 of Deh Kalokhhar Teluka Thana Bula Khan (District Dadu, Sindh) measuring 16 acres and all other current and future assets.

Mark up

Running Finance -	3 month KIBOR+0.5%
Cash Finance -	1,3 and 6 months KIBOR+0.25%

12.2 National Bank Limited

Purpose
The finance is obtained for the purchase of raw cotton.

Limit
PKR100 million

Security
First pari passu charge by way of hypothecation over the stocks of the company to the extent of Rs.100 million.

Mark up
Three months KIBOR+1% at the last working day of the preceding quarter for the mark up due at end of each quarter.

12.3 Habib Metropolitan Bank Ltd

Purpose
The finance is obtained for the purpose of working capital management.

Limit

Running Finance -	45 million
Cash Finance -	50 million

Security
Hypothecation pledge of stocks/ receivables (amount not mentioned in agreement)

Mark up
Three months KIBOR +1 %.

			2009 Rupees	2008 Rupees
13	**CURRENT PORTION OF LONG TERM LIABILITIES**			
	Long term loans		**9,475,966**	71,084,092
	Liability against assets subject to finance lease		**-**	12,279,828
			9,475,966	83,363,920
14	**CONTINGENCIES**			
	i) Claims not acknowledged by the Company, pending in the Sindh High Court against imposition of:			
	- Import license fee		**190,000**	190,000
	- Central Excise Duty on borrowings	**14.1**	**1,100,000**	1,100,000
	- Infrastructure cess on goods in sindh	**14.2**	**7,500,000**	-
			8,790,000	1,290,000

14.1 This represents the CED payable on the borrowings, introduced during 1992 which later terminated during1994 pertains to the NDFC and Habib Bank A.G. Zurich. This matter is pending in the high court since its introduction. The last hearing was conducted during 2002.

14.2 The Provincial Government imposed w.e.f February 2008, 0.5% infrastructure cess of C&F value against Company's import, it was required to pay the cess at the time of clearance of imported goods the Company has contested the demand in the court and was granted a stay order against submission of Bank Guarantee of Rs 7.5 million to the customs authority. The matter is currently pending with supreme court for further proceedings, so the Company has not recorded the expense and liability in this account as a result of opinion given by the legal council that it should not be exposed to any liability on this account.

Commitments

i) Commitments as on June 30, 2009 in respect of capital expenditure are Rs. 30 million (June, 2008 : Rs.50 million).

ii) Commitments as on June 30, 2009 for outstanding L/Cs in respect of raw material are Rs.153 Million (June, 2008 : Rs. 451 million for plant and machinery).

iii) Commitments as on June 30, 2009 in respect of Bank Guarantees are Rs. 7.50 million (June, 2008 : Nil)

		2009 Rupees	2008 Rupees
15 PROPERTY, PLANT AND EQUIPMENT			
15.1 The following is a statement of property, plant and equipment:			
Operating property, plant and equipment	15.2	**586,675,452**	604,731,051
Capital work-in-progress	15.3	**-**	32,349,898
		586,675,452	637,080,949

15.2 The following is a statement of operating property, plant and equipment:

Description	Cost & Revaluation					Rate	DEPRECIATION					W.D.V
	As at July 1, 2008	Addition	Deletion	Adjustment	As at June 30, 2009		As at July 1, 2008	Adjustment	Disposal	Depreciation	As at June 30, 2009	as at June 30, 2009
Owned:												
Lease Hold Land	8,499,845	1,275,000	—	—	9,774,845		—	—	—	—	—	9,774,845
Factory Building on Lease hold land	182,666,377	21,115,440	—	—	203,781,817	10%	80,368,447	—	—	11,886,202	92,254,653	111,527,164
Factory Godown	19,911,995	—	—	—	19,911,995	10%	7,372,719	—	—	1,207,684	8,580,403	11,331,592
Plant & Machinery	587,648,451	21,602,143	(526,950)	54,762,561	663,487,205	10%	258,059,404	18,005,508	(299,074)	35,295,884	311,061,722	352,425,483
Electric Installation	121,646,519	2,641,387	(896 372)	—	123,391,534	10%	39,061,633	—	(168,798)	8,138,2[illegible]	47,031,083	76,360,451
Furniture & Fixture	9,635,912	9,000	—	—	9,644,912	10%	5,303,340	—	—	417,279	5,720,619	3,924,293
Office Equipment	541,507	—	—	—	541,507	10%	290,997	—	—	24,785	315,782	225,725
Computer & Accessories	3,621,774	—	—	—	3,621,774	30%	3,026,425	—	—	159,498	3,185,923	435,851
Tools & Equipment	2,508,859	—	—	—	2,508,859	10%	958,993	—	—	149,271	1,108,264	1,400,595
Fire Fighting Equipment	303,958	—	—	—	303,958	10%	106,967	—	—	18,973	125,940	178,018
Vehicles	35,049,986	81,200	(87,270)		35,043,916	20%	12,686,996	—	(62,963)	4,151,040	16,775,073	18,268,843
Electronics Weighting Scale	1,329,767	—	—	—	1,329,767	10%	694,539	—	—	61,180	755,719	574,048
Laboratory Equipment	628,778	—	—	—	628,778	10%	360,175	—	—	25,870	386,045	242,733
Arms & Ammunition	37,150	—	—	—	37,150	10%	30,720	—	—	619	31,339	5,811
Sub Total	974,030,678	46,724,170	(1,509,692)	54,762,561	1,074,008,017		408,321,355	18,005,508	(530,835)	61,536,533	487,332,565	586,675,452
Under Lease:												
Plant & Machinery	54,762,561	—	—	(54,762,561)	—	10%	15,741,032	(18,005,508)	—	2,264,476	—	—
Vehicles	—	—	—	—	—	20%	—	—	—	—	—	—
Sub Total	54,762,561	—	—	(54,762,561)	—		15,741,032	(18,005,508)		2,264,476	—	—
Rupees - 2009	1,028,793,439	46,724,170	(1,509,692)	—	1,074,008,017		424,062,387	—	(530,835)	63,801,009	487,332,565	586,675,452

ALLOCATION :	2008
The depreciation for the year has been allocated as follows :	
Cost of sales (manufacturing portion)	62,555,985
Administration expenses	2,321,352
	64,877,337

15.2 The following is a statement of operating property, plant and equipment:

Description	Cost & Revaluation					Rate	DEPRECIATION					W.D.V
	As at July 1, 2007	Addition	Deletion	Adjustment	As at June 30, 2008	%	As at July 1, 2007	Adjustment	Disposal	Depreciation for the year	As at June 30, 2008	as at June 30, 2008
Owned:												
Lease Hold Land	8,499,845	—	—	—	8,499,845	—	—	—	—	—	—	8,499,845
Factory Building on Lease hold land	171,291,595	11,374,782	—	—	182,666,377	10%	69,753,536	—	—	10,614,907	80,368,447	102,297,930
Factory Godown	19,911,995	—	—	—	19,911,995	10%	6,036,324	—	—	1,336,395	7,372,719	12,539,276
Plant & Machinery	518,677,358	68,971,093	—	—	587,648,451	10%	223,802,146	—	—	34,257,258	258,059,404	329,589,047
Electric Installation	115,119,973	6,526,546	—	—	121,646,519	10%	30,406,144	—	—	8,655,489	39,061,633	82,584,886
Furniture & Fixture	9,425,597	210,315	—	—	9,635,912	10%	4,845,939	—	—	457,401	5,303,340	4,332,572
Office Equipment	541,507	—	—	—	541,507	10%	264,299	—	—	26,698	290,997	250,510
Computer & Accessories	3,621,774	—	—	—	3,621,774	30%	2,808,560	—	—	217,865	3,026,425	595,349
Tools & Equipment	2,508,859	—	—	—	2,508,859	10%	793,813	—	—	165,180	958,993	1,549,866
Fire Fighting Equipment	287,533	16,425	—	—	303,958	10%	86,826	—	—	20,141	106,967	196,991
Vehicles	24,809,030	7,221,900	(7,606,805)	10,625,861	35,049,986	20%	8,442,130	4,686,913	(4,616,039)	4,173,992	12,686,996	22,362,990
Electronics Weighting Scale	1,329,767	—	—	—	1,329,767	10%	626,839	—	—	67,700	694,539	635,228
Laboratory Equipment	628,778	—	—	—	628,778	10%	331,548	—	—	28,627	360,175	268,603
Arms & Ammunition	37,150	—	—	—	37,150	10%	30,035	—	—	685	30,720	6,430
Sub Total	876,690,761	94,321,061	(7,606,805)	10,625,861	974,030,878		348,228,139	4,686,913	(4,616,039)	60,022,338	408,321,355	565,709,523
Under Lease:												
Plant & Machinery	54,762,561	—	—	—	54,762,561	10%	11,582,245	—	—	4,158,787	15,741,032	39,021,529
Vehicles	10,625,861	—	—	(10,625,861)	—	20%	3,990,701	(4,686,913)	—	696,212	—	—
Sub Total	65,388,422	—	—	(10,625,861)	54,762,561		15,572,946	(4,686,913)	—	4,854,999	15,741,032	39,021,529
Rupees - 2008	942,079,183	94,321,061	(7,606,805)	—	1,028,793,439		363,801,085	—	(4,616,039)	64,877,337	424,062,387	604,731,052

ALLOCATION :	2009
The depreciation for the year has been allocated as follows	
Cost of sales (manufacturing portion)	61,831,210
Administration expenses	1,969,797
	63,801,007

	2009 Rupees	2008 Rupees
15.3 The details of capital work-in-progress is as under:		
Plant & machinery	-	12,183,988
Civil work	-	20,165,911
	-	32,349,899

15.4 Details of Operating Fixed Assets disposed off during the year are as follows :

Detail of Disposal	Cost & Revaluation	Accumulated Depreciation	Book Value	Sale Proceeds	Profit/ (Loss)	Mode of Disposal	Particulars of Purchaser
Transformer of 150 KV	896,372	168,798	727,574	650,000	(77,574)	Negotiation	Mr. Muneer Ahmed
Manual Winding Machine	525,950	299,074	226,876	190,000	(36,876)	Negotiation	Mr. Irshad
Star Motorcycle KBA-6919	42,600	30,735	11,865	20,000	8,135	Negotiation	Mr. Arif
Star Motorcycle KBA-8260	44,670	32,228	12,442	15,000	2,558	Negotiation	Mr. Shahbaz
Rupees (2009)	**1,509,592**	**530,835**	**978,757**	**875,000**	**(103,757)**		
Rupees (2008)	7,606,805	4,616,039	2,990,766	3,125,000	134,234		

	2009 Rupees	2008 Rupees
16 STORES AND SPARES		
Stores and spares	**22,070,017**	25,957,425
Packing materials	**1,754,225**	3,145,458
	23,824,242	29,102,883
17 STOCK IN TRADE		
Raw material		
- In hand	**202,731,994**	286,472,153
- In transit	**13,305,687**	25,037,743
Work in process	**9,628,604**	11,407,422
Finished goods	**97,374,579**	24,227,045
Waste	**248,972**	419,844
	323,289,836	347,564,207

Stocks with carrying value of Rs.310 million (2008: Rs. 111 million) have been pledged as security with certain banl.s against finance facilities.

	2009 Rupees	2008 Rupees
18 TRADE DEBT - Unsecured, considered good	**444,457,348**	481,520,451

		Note	2009 Rupees	2008 Rupees
19	**LOANS AND ADVANCES**			
	Advances - unsecured, considered good			
	Staff		**829,340**	931,475
	Suppliers and contractors		**5,407,317**	6,065,217
	Income Tax		**9,259,594**	22,169,132
			15,496,251	29,165,824
20	**TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES**			
	Security Deposit		**122,002**	1,415,049
	Prepayments :			
	Insurance		**-**	23,667
	Mark-up		**1,622,587**	3,351,175
			1,622,587	3,374,842
	Other receivables			
	Sales Tax		**7,511,628**	6,230,951
	Others		**1,448,208**	2,294,323
	Custom duty refundable	20.1	**1,076,691**	1,076,691
	Bank margin against bank guarantee		**190,000**	190,000
			10,226,527	9,791,965
			11,971,116	14,581,856

20.1 This represents claim of refund of excess Custom Duty paid on Ring Frame imported under SRO-1076(1)/95. Appeal is pending with Appellate Tribunal Customs.

		2009 Rupees	2008 Rupees
21	**CASH & BANK BALANCE**		
	Cash in hand	**624,847**	931,150
	With banks in current accounts	**1,595,293**	1,874,560
		2,220,140	2,805,710

22 SALES

	June 30, 2009			June 30,2008		
	Local	Export	Total	Local	Export	Total
Yam	2112,146,554	20,419,604	2,132,566,158	1,894,156,691	26,578,322	1,920,735,013
Cotton	150,000	–	150,000	–	–	–
Waste	3,058,012	–	3,058,012	3,204,799	–	3,204,799
GROSS SALES	211,354,566	20,419,604	2,135,744,170	1,897,361,490	26,578,322	1,923,939,812
Brokerage & Commission	(21,144,842)	(701,867)	(21,846,709)	(19,475,407)	(282,483)	(19,757,890)
Exchange Gain	–	1,558,243	1,558,243	–	–	–
Discounts	(169,782)	–	(169,782)	(241,534)	–	(241,534)
Yam Claim/Shortage	(257,968)	–	(257,968)	(129,719)	–	(129,719)
	(21,572,592)	856,376	(20,716,216)	(19,846,660)	(282,483)	(20,129,143)
NET SALES	2,093,781,974	21,275,980	2,115,057,955	1,877,514,830	26,295,839	1,903,810,669

23 COST OF SALES

		2009 Rupees	2008 Rupees
Opening finished stock		24,646,890	31,022,735
Cost of goods manufactured	23.1	1,972,224,357	1,694,617,524
Purchase of yarn		–	6,110,350
		1,996,871,247	1,731,750,609
Closing finished stock		(97,623,551)	(24,646,890)
		1,899,247,696	1,707,103,719

23.1 Cost of goods manufactured

		2009 Rupees	2008 Rupees
Raw material consumed	23.1.1	1,560,081,629	1,360,124,650
Stores, spares and packing materials		69,039,306	54,845,736
Salaries, wages and other benefits	23.1.2	129,433,008	101,050,653
Fuel and power		130,354,699	99,173,223
Water charges		4,742,625	2,307,590
Vehicles running and maintenance		1,750,093	1,727,499
Repairs and maintenance		1,753,494	2,946,657
Insurance		5,795,535	6,002,048
Depreciation		61,831,218	62,555,987
Other manufacturing expenses		5,663,932	5,375,357
		1,970,445,539	1,696,109,400
Work-in-process			
Opening		11,407,422	9,915,546
Closing		(9,628,604)	(11,407,422)
		1,778,818	(1,491,876)
		1,972,224,357	1,694,617,524

		2009 Rupees	2008 Rupees
23.1.1 Raw material consumed			
Opening stock		**286,472,153**	183,648,426
Purchases		**1,476,341,472**	1,469,307,231
		1,762,813,625	1,652,955,657
Sales		**-**	(6,358,854)
Raw material available for consumption		**1,762,813,625**	1,646,596,803
Closing stock		**(202,731,994)**	(286,472,153)
Raw material consumed		**1,560,081,631**	1,360,124,650

23.1.2 Salaries, wages & other benefits includes Rs. 5,169,295 (June 30:2008: Rs.4,361,271) in respect of staff retirement benefits.

24 ADMINISTRATIVE EXPENSES

Directors' remuneration		**2,340,000**	2,145,000
Meeting fees		**50,000**	48,000
Salaries and other benefits	24.1	**10,549,916**	9,271,840
Traveling and conveyance		**1,564,314**	335,190
Printing and stationery		**362,723**	796,574
Electric expenses		**599,015**	641,873
Advertisement		**85,125**	45,000
Newspaper and periodicals		**21,637**	19,126
Fees and subscription		**585,173**	292,630
Vehicles running and maintenance		**1,435,844**	2,010,433
Postage and telephone		**1,495,035**	1,179,162
Legal and professional		**389,020**	221,200
Auditors' remuneration	24.2	**623,100**	323,000
Entertainment		**314,429**	308,274
Repairs and maintenance		**317,439**	796,537
Insurance		**1,086,455**	1,094,265
Charity and donation	24.3	**53,500**	6,000
Depreciation		**1,969,806**	2,321,353
Others		**689,107**	1,190,337
		24,531,638	23,045,794

24.1 Salaries and other benefits includes Rs.468,592 (June30: 2008: Rs. 260,699) in respect of staff retirement benefits.

	2009 Rupees	2008 Rupees
24.2 Auditor's remuneration		
Audit Fee		
- statutory audit	400,000	200,000
- other certifications	-	25,000
	400,000	225,000
- Half yearly review fees	200,000	80,000
- Out of pocket expenses	23,100	18,000
	623,100	323,000

24.3 Charity and donation

None of the directors or their spouses had any interest in donees' fund.

25 DISTRIBUTION & MARKETING EXPENSES

	2009 Rupees	2008 Rupees
Freight and handling charges - local	13,579,103	12,045,538
Freight and shipping charges - export	1,456,461	2,330,638
Packing charges	1,365,622	1,211,072
	16,401,186	15,587,248

26 FINANCE COST

	2009 Rupees	2008 Rupees
Interest / mark-up on		
- Long Term Loans	38,713,805	27,456,817
- Assets subject to finances lease	2,497,684	3,282,645
- Short term finances	124,842,831	90,408,109
- Workers profit participation fund	83,723	54,386
Bank charges and commission	6,192,298	6,456,849
	172,330,341	127,658,806

27 OTHER INCOME

	2009 Rupees	2008 Rupees
Foreign Exchange (loss) on translation of FCIF borrowing	-	(7,674,410)
Foreign Exchange Gain/(loss) on translation of debtors	-	738,754
Gain/(loss) on sale of Raw material	-	505,762
Gain/(loss) on disposal of fixed assets	(103,757)	134,234
	(103,757)	(6,295,660)

	2009 Rupees	2008 Rupees
28 TAXATION		

Income tax assessment of the company have been finalized upto the accounting year 2008.

Relationship between tax expense and accounting profit

	2009 Rupees	2008 Rupees
Profit for the current year	**2,321,170**	22,913,471
Tax at the rate 35%	**812,410**	8,019,715
Tax effect of expenses that are not deductible in determining taxable profit	**23,539,621**	24,667,716
Tax effect of expenses that are deductible in determining taxable profit	**(36,309,252)**	(40,798,755)
Tax expense for the current year	**(11,957,222)**	(8,111,325)
or		
Tax paid under section 153 & 154 on import and exports	**336,483**	-
or		
Tax paid under section 113 which ever is higher	**-**	9,986,938
Tax charge for the current year	**336,483**	9,986,938

29 EARNINGS PER SHARE - Basic & Diluted

	2009	2008
Net Profit for the year	**2,844,621**	11,614,418
Number of Ordinary shares	**6,163,000**	6,163,000
Earning per share	**0.46**	1.88

30 DIRECTORS' REMUNERATION

Particulars	June 30, 2 0 0 9		June 30, 2 0 0 8	
	Director	Total	Director	Total
Remuneration	1,505,028	1,505,028	1,379,232	1,379,232
House rent	677,268	677,268	620,643	620,643
Conv. Allow.	7,200	7,200	7,200	7,200
Utility	150,504	150,504	137,925	137,925
Total	2,340,000	2,340,000	2,145,000	2,145,000
No. of Person	2	2	2	2

In addition, the Directors have been provided with the company's maintained car.
There are no retirement benefits for the Directors.

	2009 Rupees	2008 Rupees
31 PLANT CAPACITY AND PRODUCTION		
Number of spindles installed	41,136	39,072
Number of spindles operated	38,324	38,373
Installed capacity in Kgs. after conversion into 20 single count	13,469,586	13,305,499
Actual production of yam in Kgs. after conversion into 20 single count	12,809,235	13,020,002
Number of shifts worked during the year	1,089	1,092

32 FINANCIAL INSTRUMENTS

32.1 Financial instruments by category

	2009	2008
Financial Assets		
Loans and receivables		
Long term deposits	852,840	6,404,323
Trade debts	444,457,348	481,520,451
Loan and advances	6,236,657	6,996,692
Short term deposits, prepayments and Other receivables	11,971,116	14,581,856
Cash and bank balances	2,220,140	2,805,710
	465,738,101	512,309,032
Financial Assets		
Financial liabilities at amortized cost		
Long term loans	257,660,264	299,647,728
Subordinate loan	40,000,000	40,000,000
Liabilities against assets subject to finance lease	-	22,897,217
Trade & other payables	52,381,509	59,580,094
Markup accrued	39,187,552	21,146,138
Short term running finance	755,289,357	825,585,144
	1,144,518,682	1,268,856,321

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest/mark-up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

33.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Due to the company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non–performance by these counter parties on their obligations to the company. To manage exposure to credit risk, Company applies credit limits and deal with credit worthy parties. It makes full provision against those balances considered doubtful and by dealing with variety of major banks and financial institutions. The carrying amounts of financial assets against which the Company did not hold any collateral are represent the maximum credit exposure, as specified below:

	2009	2008
	Rupees	Rupees
Trade debts	**444,457,348**	481,520,451
Loan and advances	**6,236,657**	6,996,692
Short term deposits, prepayments and Other receivables	**11,971,116**	14,581,856
Cash and bank balances	**1,595,293**	1,874,560
	464,260,414	504,973,559

Impairment losses:

The aging of trade debts at the reporting date was:

	2009		2008	
	Gross value	**Impairment**	Gross value	Impairment
	Rupees		Rupees	
Not past due	**367,592,647**	-	344,448,658	-
Past due 1-60 days	**25,481,266**	-	109,684,372	-
Past due 61 days to 1 year	**7,167,800**	-	12,935,418	-
More than 1 year	**44,215,635**	-	14,452,003	-
Total	**444,457,348**	-	481,520,451	-

The company believes that no impairment allowance is necessary in respect of trade debts past due. Trade debts are essentially due from credit worthy parities. The company is actively pursuing for recovery of debts and the company does not expect these parties to fail to meet their obligations.

33.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facility. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Company treasury aims at maintaining flexibility in funding by keeping committed credit line available.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrrying Value	Contructual Cash flow	Upto one year	More than one year
Long term financing	**268,211,717**	**541,162,788**	**93,998,221**	**447,164,567**
Finance lease	-	-	-	-
Trade and other payables	**52,381,509**	**52,381,509**	**52,381,509**	-
Short term borrowings	**783,925,455**	**783,925,455**	**783,925,455**	-
June 2009	**1,104,518,681**	**1,377,469,752**	**930,305,185**	**447,164,567**
Long term financing	307,095,127	451,656,253	80,701,270	370,954,983
Finance lease	22,897,217	25,394,901	14,279,828	11,115,073
Trade and other payables	59,580,094	59,580,094	59,580,094	-
Short term borrowings	839,283,883	839,283,883	839,283,883	-
June 2008	1,228,856,321	1,375,915,131	993,845,075	382,070,056

Contractual cash flows include interest related cash flows upto the year end. The future interest related cash flows depends on the interest rates applicable at that time and the extent of utilization of running finance facilities.

33.3 Market risk

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Company's market risk comprises of two types of risk: foreign exchange or currency risk and interest/mark up rate risk. The market risks associated with the Company's business activities are discussed as under:

a) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company is not exposed to foreign currency risk on export. Company's risk exposure is on import of material and machinery that are entered in a currency other than local currency.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows on notional amount.

	2009 US $	2008 US $
Trade debts	-	104,962

Sensitivity analysis

The following table summarizes the financial assets/liabilities as of 30 June 2009 and 2008 that are subject to foreign currency risk and shows the estimated changes in the value of financial assets (and the resulting change in profit and loss account and equity) assuming changes in the underlying exchange rates applied immediately and uniformly across all currencies. The changes in value do not necessarily reflect the best or worst case scenarios and actual results may differ. The analysis assumes that all other variables, in particular interest rate, remain constant.

Since the Company is not exposed to froeign currency risk at the end of the period, therefore change of the Rupees against foreign currencies as at balance sheet date do not have any effect on profit and loss account and equity.

	Weakening of the PKR by				Strengthening of the PKR by		
	-20%	-10%	-5%	0%	+5%	+10%	+20%
June 2009	-	-	-	-	-	-	-
June 2008	(1,742,369)	(871,185)	(435,592)	-	435,592	871,185	1,742,369

b) Interest/mark up rate risk

Interest/mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest/mark up rate risk arises from mismatches of financial liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The long-term financing and short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2009	2008	2009	2008
	Effective interest rate (%)		Carrying amount	
Fixed rate instruments				
Finance lease	**11.50% - 17.25%**	11.50% - 17.25%	-	22,897,217
			-	22,897,217
Variable rate instruments				
Long term financing	**09.00% - 19.50%**	09.00% - 16.19%	**268,211,717**	307,095,127
Short term financing	**11.92% - 18.80%**	10.27% - 16.19%	**783,925,455**	839,283,883
			1,052,137,172	1,146,379,010
			1,052,137,172	1,169,276,227

Sensitivity analysis

The Company does not account for any fixed rate liabilities at fair value through profit or loss, and the Company does not have derivatives as hedging instruments recognized under fair value hedge accounting model. Therefore, a change in interest rate at reporting date would not effect fair value of any financial instrument.

A change of 100 basis points in interest rated would have increased loss by Rs. 10,521 thousand (2008: Rs. 11,693 thousand)

33.4 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 at arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount.

34 CAPITAL RISK MANAGEMENT

The company's objectives 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.

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

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('long term financing' and 'short term borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity and surplus on revaluation of fixed assets as shown in the balance sheet under 'share capital and reserves'.

There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

35 TRANSACTIONS WITH ASSOCIATED UNDERTAKING

The related parties comprise of parties related to group companies, staff retirement fund, directors and their close family members, executives and major shareholder of the company. Remuneration and benefits to executives of the company are in accordance with the terms of their employment while contribution to the retirement benefits is in accordance with the staff service rule. Transactions with related parties during the year other than those disclosed else where in the financial statements are as follows:

	2009 **Rupees**	2008 Rupees
Associated Companies		
Sales of goods to associated company	**169,169,322**	203,418,227
Outstanding balance due as at	**2,072,706**	3,150,071
Maximum balance due at the end of any month	**8,054,701**	4,738,862

36 ACCOUNTING ESTIMATES AND JUDGMENTS

Income Tax
In making the estimates for income taxes currently payable by the company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

Property, Plant and Equipment
The company's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

37 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors have proposed a cash dividend @ 7.5% i.e.Rs.0.75 per share for the year ended June,30 2009 (2008: @10% i.e.Rs.1 per share) at their meeting held on September 10th, 2009 for approval of members at the Annual General Meeting will be held on October 15th, 2009.

38 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on **September 10, 2009** by the board of Directors of the company.

39 GENERAL

Figures in these financial statements have been rounded off to the nearest rupee.

CHIEF EXECUTIVE **DIRECTOR**

Karachi:
Dated: 10th September, 2009

Premium Textile Mills Ltd.

PROXY FORM

PREMIUM TEXTILE MILLS LIMITED,
1st Floor, Haji Adam Chambers,
Altaf Hussain Road,
New Challi,
Karachi.

Please quote Reg. Folio Number

I/We ______________________________

of ______________________________

being a member of **Premium Textile Mills Limited** and holder of ______________

Ordinary Shares hereby appoint ______________________________

of ______________________________

or failing him/her ______________________________

of ______________________________

as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on October 15, 2009 at 10:00 a.m. at 1st Floor, Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi.

Signed this ______________ day of ______________ 2009 in the presence of

(Witness Signature)

Affix
Five Rupees
Revenue Stamp

(Signature of Proxy)

(Member's Signature)

NOTE: (i) This form of proxy, in order to be effective, must be deposited duly completed with the Company not less than 48 hours before the time for holding the meeting.

(ii) The proxy must be signed across a Rs.5/- Revenue Stamp.

(iii) Signature should agree with the specimen registered with the Company.

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

(v) In case of CDC Account Holders, attested copies of NIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.