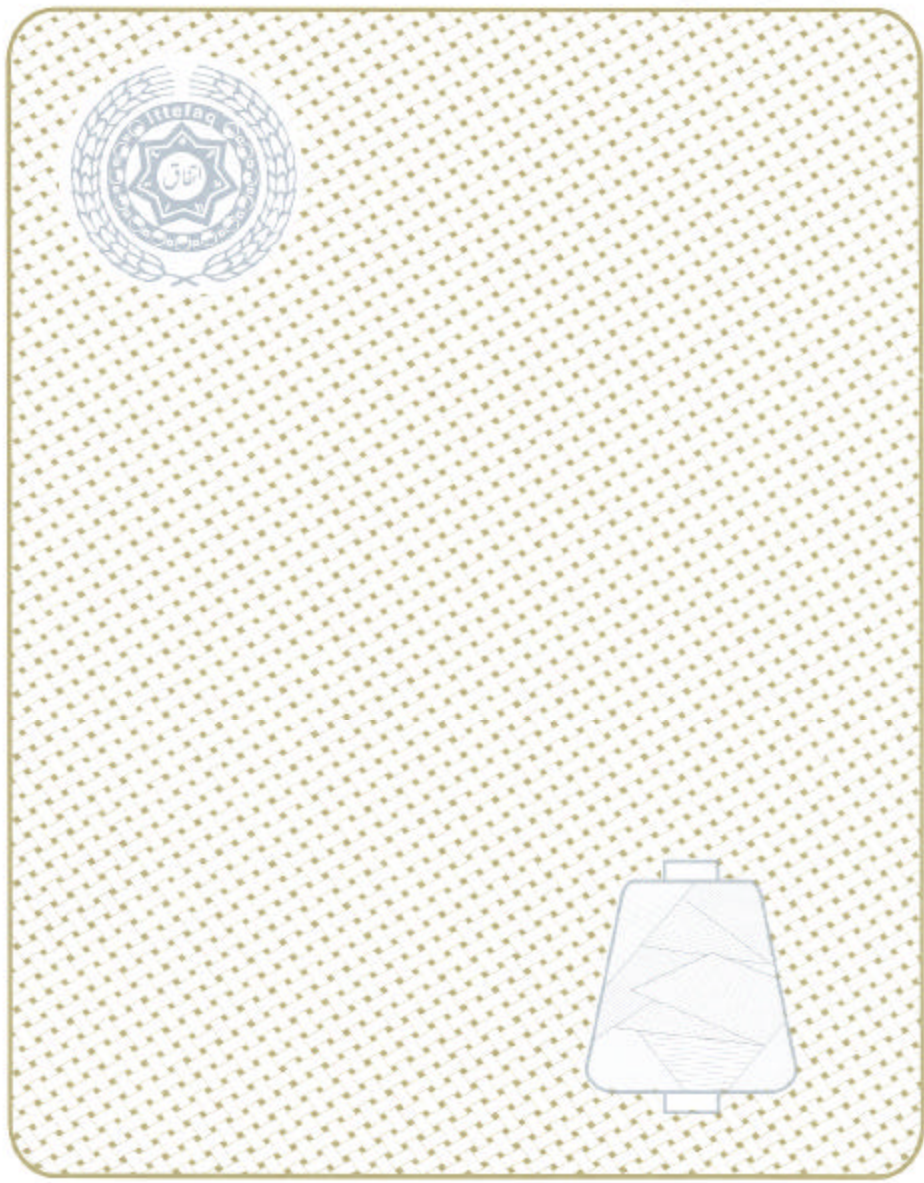


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22nd Annual Report 2009



Khalid Siraj Textile Mills Ltd.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

KHALID SIRAJ TEXTILE MILLS LIMITED

22ND ANNUAL REPORT 2009

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V i s i o n

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

M i s s i o n

To provide maximum satisfaction to customers by supplying fine quality yarn for Knitting And Weaving for well known textile Brands through effective utilization of men, material and machines by encouraging, supporting and rewarding the employees and sharing profits with our shareholders. We do have social responsibility towards our community in which we operate and we are committed to safety, Health and environment in all our operations.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of the Shareholders of KHALID SIRAJ TEXTILE MILLS LTD. will be held at 467-M Block, Model Town Extension, Lahore on Saturday, October 31st, 2009 at 10:30 A.M. to transact the following Business:-

1. To confirm the minutes of the Annual General Meeting of the shareholders held on 31st October 2008.
2. To receive, consider and adopt the audited Balance Sheet and Profit and Loss Account of the Company together with the Directors and Auditors' Report for the year ended June 30, 2009.
3. To appoint Auditors for the year ending June 30, 2010 and fix their remuneration. The retiring Auditors are eligible for re-appointment.
4. To transact any other business with the permission of the chair.

SPECIAL BUSINESS:

To Consider and if deemed fit, to pass with or without modifications, the following resolutions as special resolutions.

"Resolved that:

- (a) The approval of the shareholders of the company be and is hereby accorded u/s 196 of the companies to sell / dispose off the obsolete machinery (Comber CM-10) and two old motor vehicles model 1997 & 1998 to some prospective buyers on prevailing market rates in the best interest of the company and the shareholders and to perform such other functions as may be required in this behalf.
- (b) The chief executive of the company is hereby authorized to negotiate the Transaction of selling / disposing off the obsolete machinery and motor vehicles.

By order of the Board
KHALID SIRAJ TEXTILE MILLS LIMITED

Lahore
October 9, 2009

Muhammad Naeem Wazir
Company Secretary

NOTES

1. The Share Transfer Books of the Company will remain closed from 27th October to 3rd November, 2009 (both days inclusive).
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him/her.
3. The instrument appointing a proxy must be received at the Registered Office of the Company not later than 48 (forty eight) hours before the time fixed for the meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one Proxy and more than one instrument of Proxy is deposited by a member with the Company, all such instruments of Proxy shall rendered invalid.
4. An individual beneficial owner of CDC entitled to attend and vote at this meeting, must bring his/her NIC or Passport in original to prove his/her identity and in case of a proxy, must enclose an attested copy of his/her NIC or Passport along with CDC A/c No. Representatives of corporate members should bring the usual documents required for such purpose.
5. Shareholders are requested to promptly notify the change in their addresses, if any, to the company's Registrars i.e. M/s Software (Pvt) Ltd. 113-C, Model Town Lahore. Fax: 042-35844504

STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

The management of the company has decided to sell two old vehicles, and obsolete combing machinery (Mobel CM-10). It has been decided to sell / dispose off the above machinery through prospective buyer.

The directors of the company have no vested interest in the above resolution except to the extent of the shares of the company held by them.

**DIRECTORS' REPORT TO THE SHAREHOLDERS**

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

DEAR SHAREHOLDERS:

The Directors of your company welcome to you the, 22nd Annual General Meeting and are pleased to present the audited accounts and auditors report thereon for the year ended June 30, 2009.

The Company sold **2.834** million kilograms of yarn valuing **Rs. 387.19** million during the year under review compared to **Rs. 5.168** million kilograms of yarn valuing **Rs. 651.71** million in the previous year. The company incurred a gross loss of **Rs. 56.146** million and pre tax Loss of **Rs. 94.104** million in 2009 as compared to gross loss of **Rs. 34.222** million and pre tax Loss of **Rs. 77.229** million in previous year. The year under review was not profitable due to depressed conditions in local as well as international market. The loss is mainly attributed to constant slump in yarn prices. Prices of raw material remained high during the year upto **Rs.4,275** per maund but the prices of yarn did not increase correspondingly. On the other hand the cost of production increased sharply. Therefore the company had to suffer huge losses. Reluctantly, the operation of the mill was closed with effect from 06-01-2009. However, in order to improve the financial position of the company, the directors injected fresh funds. The operation of the mill was restarted on 08-08-2009.

APPROPRIATIONS

	June 30, 2009	June 30, 2008
Loss before taxation	(94,103,682)	(77,228,731)
Taxation (Current)	(2,161,661)	(3,288,649)
Deferred	361,285	22,776,404
	<hr/>	<hr/>
Loss after taxation	(95,904,058)	(57,740,926)
Add: Loss brought forward	(71,340,403)	(37,136,966)
Amount of incremental depreciation charged, arising due to surplus on revaluation of fixed assets transferred to accumulated Loss	32,326,863	13,857,300
Reversal of taxable temporary differences relating to revaluation surplus	12,595,194	9,680,189
	<hr/>	<hr/>
Loss Carried forward	<u>(122,322,404)</u>	<u>(71,340,403)</u>
Earning per share	(8.96)	(5.40)



CORPORATE AND FINANCIAL REPORTING FRAME WORK

The board of directors state that:

- a) The financial statements prepared by the management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- b) Proper books of accounts have been maintained by the Company;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements based on reasonable and prudent judgement.
- d) International Financial Reporting Standards (IFRS), as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There is no significant doubt upon the Company's ability to continue as a going concern.
- g) The main reason for non declaration of dividend is after Tax loss of Rs. 95.904 Million.
- h) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

PATTERN OF SHAREHOLDINGS

A statement reflecting the pattern of shareholdings is attached to the Annual Report on Page 9-10.

KEY OPERATING AND FINANCIAL DATA

A statement summarizing the key operating and financial data for last six years alongwith current year is attached to the Annual Report on page 11.

STATUTORY PAYMENTS

As on the closing date, no government taxes, duties, levies and charges were outstanding / overdue except the routine payments of various levies.

TRADE IN THE SHARES OF THE COMPANY

There was no trading in the shares of the Company by the chief executive officer, directors, chief financial officer, company secretary and their spouses and minor children during the year under review.



PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009

<u>No Folio Shareholders</u>	<u>From</u>	<u>To</u>	<u>Total Shares Held</u>
409	1	100	19,328
239	101	500	64,206
257	501	1000	155,975
187	1001	5000	341,645
22	5001	10000	136,367
1	10001	15000	12,080
2	15001	20000	34,469
1	20001	25000	24,600
5	35001	40000	184,400
2	70001	75000	149,400
1	85001	90000	86,567
1	100001	105000	102,800
3	105001	110000	324,712
10	110001	115000	1,130,987
2	145001	150000	298,530
1	150001	155000	152,100
1	160001	165000	162,500
1	165001	170000	165,850
1	240001	245000	240,750
1	295001	300000	299,600
1	305001	310000	306,062
1	365001	370000	369,973
1	370001	375000	373,002
1	380001	385000	382,232
1	395001	400000	399,431
1	545001	550000	546,682
1	550001	555000	553,840
2	695001	700000	1,397,122
1	1050001	1055000	1,051,320
1	1230001	1235000	1,233,470
<u>1,158</u>			<u>10,700,000</u>

<u>Categories of Shareholders</u>	<u>Number of Shareholders</u>	<u>Total Share Held</u>	<u>Percentage of Issued Capital</u>
INDIVIDUAL	1,139	8,382,978	78.35
PUBLIC LTD. COMPANY	1	1,200	0.01
PRIVATE LTD. COMPANY	4	1,292	0.01
BANKING/INVESTMENT COMPANIES	3	1,237,425	11.56
INSURANCE COMPANIES	2	7,650	0.07
MODARABA COMPANIES	6	12,735	0.12
OTHERS	3	1,056,720	9.88
	<u>1,158</u>	<u>10,700,000</u>	<u>100.00</u>

Detail of shareholders categories as on June 30, 2009

1. Banking/Investment companies	3	1,233,470
N.B.P. Trustee Department		3,350
Investment Corporation of Pakistan		605
Crescent investment Bank Ltd.		
2. Insurance Companies	2	2,300
State Life Insurance Corporation		5,350
Asia Insurance Company Ltd.		



3. Modarabas	6	
Fist Mehran Modaraba		1,800
Modaraba Al- Tijarah		5,100
Trust Modaraba		1,000
Third Prudential Modaraba		10
First Interfund Modaraba		2,200
4. Others	3	2,625
National Industrial Cooperative Corporation Ltd.		4,400
A.Razzaq Ali Muhammad & Brothers		1,000
C.D.C.of Pakistan Ltd.		2,467,830

Central Depository Company of Pakistan Limited
Pattern of Shareholding of KHALID SIRAJ TEXTILE MILLS LIMITED
As At: 30-06-2009

Number of Share Holders	From	Shareholding	TO	Total Number of Shares Held
81	1	-	100	3,547
86	101	-	500	27,232
53	501	-	1,000	37,252
79	1,001	-	5,000	171,330
12	5,001	-	10,000	81,095
1	10,001	-	15,000	14,000
1	15,001	-	20,000	19,000
1	20,001	-	25,000	25,000
1	55,001	-	60,000	57,629
1	60,001	-	65,000	62,371
1	125,001	-	130,000	127,000
1	420,001	-	425,000	420,304
1	700,001	-	705,000	700,498
1	720,001	-	725,000	721,572
<hr/>				
320				<hr/> 2,467,830 <hr/>

Shareholders Category	Number of Shareholders	Number of Shares Held	Percentage
Joint Stock Companies	12	3,595	0.15
Insurance Companies	2	425,654	17.25
Individuals	301	615,010	24.92
Financial Institutions	3	1,423,470	57.68
Others	1	70	0.00
Cooperative Societies	1	31	0.00
	<hr/>	<hr/>	<hr/>
	320	2,467,830	100.00

INTEREST OF DIRECTORS AND THEIR RELATIVES

SHARES HELD BY:

Mian Tayyab Iqbal (CEO)	74,800
Mian Tahir Iqbal (Director)	10,000
Miss. Rabia Iqbal (Director)	1,400
Miss. Tayyaba Iqbal (Director)	74,600
Miss. Rukhsana Arif (Director)	500
Kh. Iftikhar-ud-Din (Director)	500
- Shares of the company Held by the Executives of the Company	1,245,912
- Shares held by Investment Corporation of Pakistan	3,350
- Shareholders having holding more than 10%	
National Bank of Pakistan Trustee Department	1,233,470



FINANCIAL HIGHLIGHTS

Seven Years at a Glance

(All amounts in thousand)

Particulars	2009	2008	2007	2006	Nine Months Ended 30-06-2005	2004	2003
Turnover (Net) (Rupees)	431,304	655,468	492,753	421,978	297,849	397,843	326,640
Profit/(Loss) before taxation (Rupees)	(94,104)	(77,229)	(46,002)	(38,419)	(6,811)	(33,338)	(23,601)
Profit/(Loss) after taxation (Rupees)	(95,904)	(57,741)	(36,394)	(32,582)	(10,729)	(34,741)	(22,122)
Paid up capital (Rupees)	107,000	107,000	107,000	107,000	107,000	107,000	107,000
Number of Shares (Ordinary Shares)	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000
Owner's equity (Ordinary Shareholders) (Rupees)	(15,322)	35,660	69,863	92,302	104,447	100,902	116,272
Break up value of Share of Rs. 10 each (Rupees)	(1.43)	3.33	6.53	8.62	9.76	9.43	10.86
Earning per share-basic (Rupees)	(8.96)	(5.40)	(3.40)	(3.05)	(1.00)	(3.25)	(2.07)
Total assets (Rupees)	545,760	682,004	491,048	507,073	520,472	488,304	451,186



AUDITORS' REPORT TO THE MEMBERS

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

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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore
Date: September 26, 2009.

Kaleem and Company
Chartered Accountants



BALANCE SHEET AS AT JUNE 30, 2009

<u>EQUITY AND LIABILITIES</u>	<u>NOTE</u>	<u>2009 RUPEES</u>	<u>2008 RUPEES</u>
<u>SHARE CAPITAL AND RESERVES</u>			
Authorized Capital: 12,000,000 Ordinary Shares of Rs. 10 each		120,000,000	120,000,000
Issued, Subscribed and Paid-up:			
10,700,000 Ordinary Shares of Rs. 10 each	3	107,000,000	107,000,000
Accumulated Loss		(122,322,404)	(71,340,403)
Shareholders Equity		(15,322,404)	35,659,597
Surplus on Revaluation of Fixed Assets	4	177,263,219	209,590,082
<u>NON-CURRENT LIABILITIES</u>			
Sponsors' Loan	5	30,400,000	30,400,000
Medium Term Loan	6	8,193,422	8,193,422
Loan From Directors	7	120,204,812	39,505,526
Liabilities Against Assets Subject to Finance Lease	8	275,640	3,850,911
		159,073,874	81,949,859
<u>DEFERRED LIABILITIES</u>			
Deferred Taxation	9	72,672,668	85,629,147
Staff Retirement Gratuity	10	5,239,904	4,036,781
<u>CURRENT LIABILITIES</u>			
Trade and Other Payables	11	82,967,333	133,677,072
Accrued Mark-up	12	21,991,845	22,612,302
Short Term Borrowing	13	27,943,608	93,405,233
Current Portion of Long Term Liabilities	14	11,763,697	12,155,106
Provision for Taxation		2,161,661	3,288,549
		146,833,144	265,138,262
Contingencies & Commitments	15	-	-
		545,760,405	682,003,727

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

CHIEF EXECUTIVE OFFICER



<u>ASSETS</u>	<u>NOTE</u>	<u>2009</u> <u>RUPEES</u>	<u>2008</u> <u>RUPEES</u>
<u>NON-CURRENT ASSETS</u>			
Property, Plant and Equipment	16	429,090,818	473,760,930
Long Term Deposits		2,391,436	2,391,436
<u>CURRENT ASSETS</u>			
Stores, Spares & Packing Material	17	43,887,624	44,203,884
Stock in Trade	18	2,496,298	47,131,881
Trade Debtors	19	247,200	7,693,236
Loans & Advances	20	1,587,723	5,876,496
Trade Deposits, Short Term Prepayments and Other Receivables	21	64,396,224	98,494,624
Cash & Bank Balances	22	1,663,082	2,451,240
		114,278,151	205,851,361
		<u>545,760,405</u>	<u>682,003,727</u>

DIRECTOR



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

	<u>NOTE</u>	<u>2009 RUPEES</u>	<u>2008 RUPEES</u>
Sales	23	431,303,786	655,468,653
Cost of Sales	24	487,450,115	689,690,862
Gross Loss		<u>(56,146,329)</u>	<u>(34,222,209)</u>
Administrative and Selling Expenses	25	13,169,378	23,937,823
		<u>(71,999,212)</u>	<u>(57,932,142)</u>
Operating Loss		(69,315,707)	(58,160,032)
Other Income /(Loss)	26	<u>(2,683,505)</u>	<u>227,890</u>
Finance Cost	27	<u>(22,104,470)</u>	<u>(19,296,639)</u>
Loss Before Taxation		(94,103,682)	(77,228,781)
Taxation	28	(1,800,376)	19,487,855
Loss After Taxation		<u><u>(95,904,058)</u></u>	<u><u>(57,740,926)</u></u>
Earning Per Share	29	(8.96)	(5.40)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	<u>2009</u> <u>RUPEES</u>	<u>2008</u> <u>RUPEES</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Loss Before Taxation	(94,103,682)	(77,228,781)
Adjustments for:		
Depreciation	42,019,150	27,363,876
Provision for Gratuity	2,815,688	2,524,650
Gain on Sale of Fixed Assets	-	(227,890)
Loss on Sale of Fixed Assets	2,683,505	-
Financial Charges	22,104,470	19,296,639
	69,622,813	48,957,275
Cash flows from Operating activities Before Working Capital Changes	(24,480,869)	(28,271,506)
Cash Flows from Working Capital Changes		
(Increase)/Decrease in:		
Stores & Spares	316,260	3,470,542
Stock in Trade	44,635,583	5,439,122
Trade Debtors	7,446,036	25,963,392
Loans and Advances	4,288,773	4,123,355
Trade Deposits, Short Term Prepayments and Other Receivables	26,568,151	(10,427,497)
	83,254,803	28,568,914
Increase/(Decrease) in:		
Trade and other Payables	(50,709,737)	32,159,598
	(50,709,737)	32,159,598
Cash Generated from Operations	8,064,197	32,457,006
Financial Charges Paid	(22,724,927)	(19,260,500)
Gratuity Paid	(1,612,565)	(2,180,792)
Net Tax (Paid) / Refunded	4,241,700	26,621,821
Net Cash Flow from Operating Activities Carried Forward	(12,031,595)	37,637,535



	<u>2009</u> <u>RUPEES</u>	<u>2008</u> <u>RUPEES</u>
B/F	(12,031,595)	37,637,535
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of Fixed Assets	(8,082,544)	(2,152,145)
Proceeds from Sales of Fixed Assets	8,050,000	510,000
Long Term Deposits	-	(68,700)
Net Cash flow from Investing Activities	(32,544)	(1,710,845)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Medium Term Loan	-	(9,282,871)
Short Term Borrowings	(65,461,625)	(12,324,428)
Liability Against Assets Subject to Finance Lease	(3,961,680)	(6,456,527)
Loan From Directors	80,699,286	(8,180,000)
Net Cash flows from financing Activities	11,275,981	(36,243,826)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(788,158)	(317,136)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,451,240	2,768,376
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	<u>1,663,082</u>	<u>2,451,240</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

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

	<u>Share Capital</u> RUPEES	<u>Accumulated Profit/(Loss)</u> RUPEES	<u>Total Equity</u> RUPEES
Balance as at June 30, 2007	107,000,000	(37,136,966)	69,863,034
Net loss for the year	-	(57,740,926)	(57,740,926)
Transferred From Surplus On Revaluation of Fixed Assets-(Note 4)	-	13,857,300	13,857,300
Reversal of Taxable Temporary Differences relating to Revaluation Surplus	-	9,680,189	9,680,189
Balance as at June 30, 2008	107,000,000	(71,340,403)	35,659,597
Net loss for the year	-	(95,904,058)	(95,904,058)
Transferred From Surplus On Revaluation of Fixed Assets-(Note 4)	-	32,326,863	32,326,863
Reversal of Taxable Temporary Differences relating to Revaluation Surplus	-	12,595,194	12,595,194
Balance as at June 30, 2009	<u>107,000,000</u>	<u>(122,322,404)</u>	<u>(15,322,404)</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR



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

1) THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on January 17, 1988 as a Public Limited Company under the Companies Ordinance, 1984 and is listed on the Karachi and Lahore Stock Exchanges in Pakistan. The registered office of the company is situated at 467- M Block, Model Town Extension, Lahore. It is principally engaged in the manufacture and sale of cotton yarn.

2) SIGNIFICANT ACCOUNTING POLICIES

2.1) Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting 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.

Due to an unprecedented increase in cotton purchase prices without corresponding increase in yarn selling prices, and also increase in cost of other inputs like salary / wages, bank markup rates and short fall of energy in country the operation of the mills was temporarily suspended w.e.f. 06-01-2009 and as such mills operated for six months only during the financial year.

2.2) Accounting Convention

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

2.3) Basis of Preparation

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

2.4) Employees Retirement Gratuity

The Company operates an unfunded defined benefit gratuity plan for all permanent employees, having a service period of more than one year. Provisions are made in the financial statements on the basis of Projected Unit Credit (PUC) Actuarial Cost method. This method is mandated under IAS-19.

2.5) Taxation

Current:

Provision for current taxation is calculated in accordance with Provision of Income Tax Ordinance 2001, applicable to the company. Tax provision (if any) is disclosed in the balance sheet after adjusting advance tax paid.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets, as required by IAS-12 (Income Taxes), are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.



2.6) Surplus on Revaluation of Fixed Assets

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

2.7) Fixed Assets and Depreciation

- a) Fixed assets including additions are stated at cost, less accumulated depreciation, except that certain assets are stated at revalued amount. Capital work in progress are stated at cost.
- b) Depreciation on fixed assets is provided on the reducing balance method at the rate specified in Note 16.
- c) Maintenance and normal repairs are charged to current year's income. Major renewals and improvements are capitalized.
- d) Depreciation on additions is charged from the month in which the asset is put to use. Depreciation on disposals of the assets is charged up to the month the assets was in use.
- e) Gains and losses on disposal of fixed assets are included in income currently.

2.8) Leased Assets

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

Operating lease rentals are recorded on an accrual basis.

2.9) Store, Spares and Loose Tools

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

2.10) Stock-in-Trade

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

Average Cost:

- | | | |
|--|---|---|
| For Raw Materials | - | Weighted average cost |
| For Work-in-Process and Finished Goods | - | Cost of direct material, labour and a proportion of manufacturing overheads based on normal capacity. |
| Cotton Waste | - | At estimated realizable value. |
| Net Realizable Value | - | Selling prices in the ordinary course of business less incidental selling expenses. |



2.11) Cash And Cash Equivalents

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

2.12) Foreign Currency Translation

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

2.13) Off Setting

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

2.14) Provisions

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

2.15) Revenue Recognition

Revenue from sales is recognized on delivery of goods to customers. Interest income is accounted for on accrual basis and on others is charged in accordance with commitments.

2.16) Financial Instruments

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

2.17) Transactions with Related Parties

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

2.18) Borrowing Cost

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

2.19) Trade Debts

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

2.20) Trade and other Payable

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



	<u>2009</u> <u>RUPEES</u>	<u>2008</u> <u>RUPEES</u>
3) <u>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</u>		
Issued for cash 10,000,000 Ordinary shares of Rs. 10/- each	100,000,000	100,000,000
Issued as Bonus Share 700,000 Ordinary Shares of Rs. 10/- each	7,000,000	7,000,000
	<u>107,000,000</u>	<u>107,000,000</u>
4) <u>SURPLUS ON REVALUATION OF FIXED ASSETS</u>		
Opening balance as previously reported	209,590,082	52,744,198
Revalued During the Year	-	264,328,930
Effect of deferred taxation relating to prior years	-	(92,515,126)
Restated opening balance	<u>209,590,082</u>	<u>224,558,002</u>
Impairment Loss	-	(1,110,620)
Incremental depreciation on revalued assets relating to current year transferred to accumulated Loss	(32,326,863)	(13,857,300)
	<u>177,263,219</u>	<u>209,590,082</u>
5) <u>SPONSORS' LOAN (Un-Secured)</u>	<u>30,400,000</u>	<u>30,400,000</u>
The finance was provided by sponsors, terms and conditions of which are still unsettled. Matter of sponsors' loan is subjudice before the honorable Lahore High Court, Lahore.		
6) <u>MEDIUM TERM LOAN</u>		
Opening Balance	8,193,422	16,386,848
Transferred to current Portion	14	(8,193,426)
	<u>8,193,422</u>	<u>8,193,422</u>
National Bank of Pakistan has sanctioned Demand Finance of Rs. 82.00 Million for the purchase of textile machinery. Currently, mark up is charged at the rate of 6 months KIBOR+4% p.a with a floor of 6.5% p.a. The bank has approved moratorium in repayment of principal installments of the loan for a period of one and half year from 31-03-2008 to 30-09-2009. Hence the outstanding balance of Rs.16.387 M will be repaid in 4 equal half yearly installments starting from 30-09-2009 to 31-03-2011.		
The loan is secured by 1st exclusive charge of Rs. 110 million on the imported machinery and a ranking charge of Rs. 137 Million on the entire fixed assets of the company along with personal guarantees of all the directors.		
7) <u>LOAN FROM DIRECTORS</u>	<u>120,204,812</u>	<u>39,505,526</u>

These are unsecured and interest free Loans obtained from directors of the company. Term of repayment have not yet been decided. However, directors stated that they have no intention to reduce this loan below Rs. 30 million within a period of next two years.



	<u>2009</u> <u>RUPEES</u>	<u>2008</u> <u>RUPEES</u>
8) LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Installments are payable in the following periods		
2009	-	4,095,397
2010	3,900,144	3,542,093
2011	279,433	275,640
	<u>4,179,577</u>	<u>7,913,130</u>
Less: Financial Charges allocated to financial periods	328,666	100,539
	<u>3,850,911</u>	<u>7,812,591</u>
Less: Current maturity (14)	3,575,271	3,961,680
	<u>275,640</u>	<u>3,850,911</u>

The Company has entered into lease agreements with Saudi Pak Leasing company for purchase of textile machinery & vehicle. Interest rate will be charged at 6 Months KIBOR (Ask side) plus 550bps and with a Floor Rate of 14.5% for vehicle and 6 Months KIBOR (Ask side) plus 650bps and with a Floor Rate of 15% for machinery. Purchase options are available to the Company after payment of last installment and on surrender of deposit at the end of lease period. The Company intends to exercise its option to purchase the leased assets at its salvage value upon the completion of respective lease period. The cost of operating and maintaining the leased assets are borne by the Company. Taxes, repairs and insurance are also borne by the Company.

Gross Minimum Lease Payments

Not later than one year	3,900,144	4,095,397
Later than one year but not later than five years	279,433	3,817,733
	<u>4,179,577</u>	<u>7,913,130</u>

Present Value of Minimum Lease Payments

Not later than one year	3,575,271	3,961,680
Later than one year but not later than five years	275,640	3,850,911
	<u>3,850,911</u>	<u>7,812,591</u>

9) DEFERRED TAXATION

The liability for deferred taxation comprises of timing difference relating to:

Deferred credit arising in respect of accelerated tax depreciation allowance	127,257,456	140,413,937
Deferred debit arising in respect of various provisions	(54,584,788)	(54,784,790)
	<u>72,672,668</u>	<u>85,629,147</u>

9.1) The movement for the year in the Company's net deferred tax position was as follows:

Balance at beginning	85,629,147	25,570,614
Increase/(Decrease) in deferred tax liabilities	(13,156,481)	80,152,300
(Increase)/Decrease in deferred tax assets	200,002	(20,093,767)
	<u>(12,956,479)</u>	<u>60,058,533</u>
	<u>72,672,668</u>	<u>85,629,147</u>



	<u>2009</u> <u>Rupees</u>	<u>2008</u> <u>Rupees</u>
10) STAFF RETIREMENT GRATUITY		
Opening Balance	4,036,781	3,692,923
Payment during the year	(1,612,565)	(2,180,792)
	<u>2,424,216</u>	<u>1,512,131</u>
Provision for the year 10.1	2,815,688	2,524,650
	<u>5,239,904</u>	<u>4,036,781</u>

10.1 Salaries, wages, amenities and other benefits include the following in respect of retirement and other benefits:

Current Service Cost	1,810,574	1,659,441
Interest Cost	674,503	534,598
Liability /(Asset) charged due to application of IAS-19	330,611	330,611
	<u>2,815,688</u>	<u>2,524,650</u>

10.2 Recent actuarial valuation of plan was carried out on 30 June 2009 by Nauman Associates. Significant actuarial assumptions used for valuation of these plans are as follows:

Discount rate	12%	12%
Expected rate of salary increase	11%	11%
Average expected remaining working life time of employees	7 Years	8 Years

11) TRADE AND OTHER PAYABLES

Trade Creditors		25,287,981	28,902,648
Accrued Expenses		1,203,057	12,904,198
Income tax payable		-	763,553
Securities Refundable		-	4,130,378
Unclaimed Dividend		24,058,182	24,058,182
Other Payables 11.1		32,418,113	62,918,113
		<u>82,967,333</u>	<u>133,677,072</u>

11.1) This represents the principal amount due to companies referred in Note No. 12.1 .

12) ACCRUED MARK-UP

Mark up payable 12.1	<u>21,991,845</u>	<u>22,612,302</u>
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12.1) This amount included mark up payable for Rs. 18,889,685/- (2008 : Rs. 18,889,685) on unsecured loans of various companies which were previously associated undertakings but have now been allocated by honorable Lahore High Court to other families of ex-Ittefaq Group. However, the matter is still under litigation.

13) SHORT TERM BORROWING (Secured)

	<u>27,943,608</u>	<u>93,405,233</u>
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The facilities for short term running finance available from National Bank of Pakistan amounted to Rs. 160 million (2008: Rs. 235 million) at the end of the current year.

The rates of mark up is 6 months KIBOR +3% with floor at 5.5% p.a. short term finances are secured by 1st parri passu charges of Rs 67 Million on fixed assets of the company, hypothecation of stores, spares and packing material, floating charge on all moveable assets, pledge of cotton bales, yarn alongwith personal guarantees of directors. Mark up is payable on quarterly basis. The limits will expire on 31-12-2009.

14) CURRENT PORTION OF LONG TERM LIABILITIES

Medium Term Loan	8,193,426	8,193,426
Liability Against Assets Subject to Finance Lease	3,575,271	3,961,680
	<u>11,768,697</u>	<u>12,155,106</u>

15) CONTINGENCIES & COMMITMENTS

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



16) Tangible Fixed Assets

PARTICULARS	COST		Rate %	DEPRECIATION			W.D.V. As At 30-06-2009	Appreciation in Value due to Revaluation As At 30-06-2009	DEPRECIATION		Written down Value As At 30-06-2009
	As At 01-07-2008	Additions/ (Deletions)/ (Impairment) During The Year		As At 30-06-2009	As At 01-07-2008	For The Year (Adjustment)			Accumulated As At 30-06-2009	Accumulated As At 01-07-2008	
Land - Freehold	1,064,297	-	-	-	-	-	1,064,297	26,205,406	-	-	27,269,703
Building:											
-Factory	30,216,384	-	10	19,040,525	1,117,566	20,158,111	10,058,273	87,665,236	13,594,672	7,409,056	76,739,781
-Others	7,380,828	-	5	4,880,827	125,000	5,005,827	2,375,001	3,240,941	947,891	114,653	4,553,399
Textile Machinery	308,916,017	7,257,703 (20,341,245)	10	220,832,663	6,414,447 (10,855,319)	216,391,811	79,440,664	299,029,337 (1,270,846)	69,425,293	22,838,562 (52,422)	284,987,722
Electrical Installations	4,863,651	230,000	10	3,502,500	159,115	3,661,615	1,432,036	15,352,167	6,015,899	933,627	9,834,677
Laboratory Equipments	6,692,987	-	10	5,770,056	92,293	5,862,349	830,638	16,393,731	6,084,077	1,030,965	10,109,327
Concrete Mixer	300,000	-	10	259,992	4,001	263,993	36,007	-	-	-	36,007
Weighing Scales	233,200	-	10	199,475	3,373	202,848	30,352	-	-	-	30,352
Furniture and Fixtures	5,204,686	594,841	10	3,514,562	228,497	3,743,059	2,056,468	-	-	-	2,056,468
Vehicles	15,225,771	- (294,000)	15	13,731,798	140,267 (264,844)	13,607,223	1,324,548	-	-	-	1,324,548
Tools and Equipments	154,960	-	10	134,116	2,084	136,200	18,760	-	-	-	18,760
Cycles	11,880	-	20	10,514	273	10,787	1,093	-	-	-	1,093
Arms and Ammunition	27,350	-	10	18,736	661	19,397	7,753	-	-	-	7,753
Tube well	698,250	-	10	420,219	27,803	448,022	250,228	-	-	-	250,228
RUPEES 2009	380,990,261	8,082,544 (20,635,245)		272,316,003	8,315,602 (11,120,163)	269,511,442	98,926,118	447,906,818 (1,270,846)	96,067,832	32,326,863 (52,422)	417,219,817
RUPEES 2008	381,113,936	2,152,145 (2,275,820)		261,232,347	11,966,746 (883,090)	272,316,003	108,674,258	447,906,818	82,210,532	13,857,300	460,513,244

16.1) Assets Subject to Finance Lease

PARTICULARS	COST		Rate %	DEPRECIATION			W.D.V. As At 30-06-2009	Appreciation in Value due to Revaluation As At 30-06-2009	DEPRECIATION		Written down Value As At 30-06-2009
	As At 01-07-2008	Additions/ (Deletions) During The Year		As At 30-06-2009	As At 01-07-2008	For The Year (Adjustment)			Accumulated As At 30-06-2009	Accumulated As At 01-07-2008	
Machinery	13,810,725	-	10	1,601,368	1,220,936	2,822,304	10,988,421	-	-	-	10,988,421
Vehicles	1,416,306	-	15	377,977	355,749	533,726	882,580	-	-	-	882,580
RUPEES 2009	15,227,031	-		1,979,345	1,376,685	3,356,030	11,871,001	-	-	-	11,871,001
RUPEES 2008	4,086,553	11,140,478		439,515	1,539,830	1,979,345	13,247,686	-	-	-	13,247,686

16.2)

2009
RUPEES

2008
RUPEES

Cost of Goods Sold 40,758,576 26,542,960
Administrative & Selling Exp. 1,260,574 620,916
42,019,150 27,353,876

16.3) The surplus on revaluation of fixed assets of the company comprising land, building, plant & machinery was determined as on September 30, 2001 by M/S Sidat Hyder Qamar & Co. Chartered Accountants in association with M/S Hasib Associates Consulting Engineers of Lahore on the basis of market replacement and current values respectively as follows:

	Original Cost	Written Down Value	Revalued Amount	Surplus on Revaluation
Land Building:	1,064,297	1,064,297	2,594,000	1,529,703
-Factory	19,616,129	5,329,511	30,003,106	24,673,595
-Others	8,178,472	4,786,559	8,027,500	3,240,941
Plant & Machinery:				
-Textile Machinery	233,465,306	66,294,802	209,905,719	143,610,917
- Electrical Installations	3,688,651	1,000,683	12,714,000	11,713,317
-Laboratory Equipments	6,661,487	1,825,563	13,642,224	11,816,661
	<u>272,814,342</u>	<u>80,301,415</u>	<u>276,886,549</u>	<u>196,585,134</u>

16.4) The surplus on revaluation of fixed assets of the company comprising land, building, plant & machinery was determined as on April 30, 2008 by independent valuer M/S Indus Surveyors (Pvt) Ltd , Consulting Engineers on the basis of market replacement and current values respectively as follows:

	Original Cost	Written Down Value	Revalued Amount	Surplus on Revaluation
Land Building:	1,064,297	1,064,297	25,740,000	24,675,703
-Factory	30,216,384	11,175,859	74,187,500	63,011,641
-Others	8,491,448	3,610,620	2,500,000	-
Plant & Machinery:				
-Textile Machinery	308,916,017	88,083,334	256,509,000	168,425,666
- Electrical Installations	4,863,651	1,361,150	5,000,000	3,638,850
-Laboratory Equipments	6,692,987	922,930	5,500,000	4,577,070
	<u>360,244,784</u>	<u>106,218,190</u>	<u>369,436,500</u>	<u>264,328,930</u>

16.5) Disposal of Operating Assets

Description	Particulars of buyer	Cost	Accumulated Depreciation	Book Value	Sale Proceed	Mode of Disposal
Vehicle	Mr. Babar Gill House No. 271, Sutiuj Block, Allama Iqbal Town, Lahore.	294,000	264,844	29,156	130,000	Negotiation
Machinery	Amjad Naseem Spinning Mills (Pvt.) Limited. S/ 6,7,8 Ijaz Centre, Main Boulevard, Gulberg - III, Lahore.	20,341,245	10,855,319	9,485,926	7,920,000	Negotiation
		<u>20,635,245</u>	<u>11,120,163</u>	<u>9,515,082</u>	<u>8,050,000</u>	
		<u>1,165,200</u>	<u>883,090</u>	<u>282,110</u>	<u>510,000</u>	
						2009
						2008



	<u>2009</u> <u>Rupees</u>	<u>2008</u> <u>Rupees</u>
17) <u>STORES, SPARES & PACKING MATERIAL</u>		
Stores	4,628,285	3,181,983
Spares	27,231,991	27,392,583
Packing Material	12,027,348	13,629,318
	<u>43,887,624</u>	<u>44,203,884</u>
18) <u>STOCK IN TRADE</u>		
Raw Material	2,468,098	29,638,072
Work in Process	-	6,055,935
Finished Goods	19,800	10,992,732
Cotton Waste	8,400	445,142
	<u>2,496,298</u>	<u>47,131,881</u>
19) <u>TRADE DEBTORS- Unsecured</u> <u>(Considered Good)</u>	<u>247,200</u>	<u>7,693,236</u>
20) <u>LOANS AND ADVANCES- Unsecured</u> <u>(Considered Good)</u>		
Advance to Suppliers	1,321,796	5,816,496
Advance to Contractors	60,000	60,000
Advance to Others	205,927	-
	<u>1,587,723</u>	<u>5,876,496</u>
20.1) No Advance was given to Directors of the company		
21) <u>TRADE DEPOSITS, SHORT TERM PREPAYMENTS,</u> <u>AND OTHER RECEIVABLES-Unsecured (Considered Good)</u>		
Prepayments	3,272,026	30,032,598
Sales Tax Refundable	1,356,320	1,237,547
Advance Income Tax	43,871,584	51,401,833
Advance Excise Duty	245,567	171,919
Other Receivables	15,650,727	15,650,727
	<u>64,396,224</u>	<u>98,494,624</u>



21.1) This represents the amount receivable from various companies which were previously associated undertakings but have now been allocated by the honorable Lahore High Court to other families of ex-Ittefaq Group. However, the matter is still under litigation.

	<u>2009</u> <u>Rupees</u>	<u>2008</u> <u>Rupees</u>
22) <u>CASH AND BANK BALANCES</u>		
Balances at Banks - Current accounts	1,452,843	1,124,761
Cash in Hand	210,239	1,326,479
	<u>1,663,082</u>	<u>2,451,240</u>
23) <u>SALES - NET</u>		
Local	386,881,738	633,579,642
Export	310,583	18,128,489
Cotton Waste	6,625,790	6,001,687
Raw Cotton	38,514,064	-
	<u>432,332,175</u>	<u>657,709,818</u>
Less: Commission to Selling Agents	1,028,389	2,241,165
	<u>431,303,786</u>	<u>655,468,653</u>



24) <u>COST OF SALES</u>	2009 <u>RUPEES</u>	2008 <u>RUPEES</u>
Raw Material Consumed 24.1	349,814,748	511,834,304
Wages, Salaries and Benefits	28,745,770	50,174,120
Fuel and Power	41,752,651	69,265,951
Stores, Spares and Packing Material Consumed	5,736,920	21,976,517
Repairs and Maintenance	909,040	1,846,871
Insurance	363,590	1,863,056
Factory Expenses	1,903,211	5,572,086
Depreciation	40,758,576	26,542,960
	469,984,506	689,075,865
Add: Opening Work in Process	6,055,935	6,604,016
Less: Closing Work in Process	-	(6,055,935)
	6,055,935	548,081
<u>Cost of Goods Manufactured</u>	476,040,441	689,623,946
Add: Opening Stocks		
- Finished Goods	10,992,732	9,124,960
- Cotton Waste	445,142	2,379,830
	11,437,874	11,504,790
Less: Closing Stocks		
- Finished Goods	(19,800)	(10,992,732)
- Cotton Waste	(8,400)	(445,142)
	(28,200)	(11,437,874)
	11,409,674	66,916
<u>Cost of sales</u>	487,450,115	689,690,862
 24.1) <u>Raw Material Consumed</u>		
Opening Stock	29,638,072	34,462,197
Purchases	322,644,774	507,010,179
	352,282,846	541,472,376
Closing Stock	(2,468,098)	(29,638,072)
Raw Material Consumed	349,814,748	511,834,304



	<u>2009</u>	<u>2008</u>
	<u>RUPEES</u>	<u>RUPEES</u>
25) ADMINISTRATIVE AND SELLING EXPENSES		
Directors' Remuneration	420,000	1,200,000
Salaries, Wages & Benefits	4,803,095	8,211,706
Traveling & conveyance	131,587	446,069
Entertainment	247,249	34,437
Motor Vehicle Operation	897,556	772,256
Printing & Stationery	253,502	244,658
Auditor's Remuneration 25.1	370,000	370,000
Postage, Telephone and Telegram	157,173	523,773
Electricity and Sui gas	133,322	236,258
Legal & Professional Charges	588,500	588,500
Repair & Maintenance	480,950	1,284,338
General Expenses	2,761,658	7,160,490
Fees & Subscription	244,800	473,275
Charity & Donations 25.2	1,500	6,000
Freight On Export	-	246,657
Freight & Octroi	339,882	740,668
Inland Transportation	-	166,709
Freight Export Expenses	-	307,122
Advertisement	78,030	103,991
Depreciation	1,260,574	820,916
	<u>13,169,378</u>	<u>23,937,823</u>
25.1) Auditor's Remuneration		
Audit Fee	300,000	300,000
Half year review report fee	40,000	40,000
Code of Corporate Governance review report fee	30,000	30,000
	<u>370,000</u>	<u>370,000</u>
25.2) There is no interest of any director or the spouse in the donee.		
26) OTHER INCOME/ (LOSS)		
Gain on Disposal of Vehicle	100,844	227,890
Loss on Disposal of Plant and Machinery	(2,784,349)	-
	<u>(2,683,505)</u>	<u>227,890</u>



27) <u>FINANCE COST</u>		2009	2008
		<u>RUPEES</u>	<u>RUPEES</u>
Mark-up on Short Term Borrowing		18,385,047	14,782,652
Mark-up on medium term loan		3,362,913	3,565,209
Bank Charges		356,510	948,778
		<u>22,104,470</u>	<u>19,296,639</u>
28) <u>TAXATION</u>			
Current year	28.1	(2,161,661)	(3,288,549)
Deferred		361,285	22,776,404
		<u>(1,800,376)</u>	<u>19,487,855</u>

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

29) EARNING PER SHARE

Loss after taxation (Rupees)		(95,904,058)	(57,740,926)
Number of ordinary shares outstanding during the year		10,700,000	10,700,000
Earning per share (Rupees)	29.1	(8.96)	(5.40)

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

30) TRANSACTION WITH RELATED PARTIES

The related parties and associated undertakings comprise group companies, other associated companies, staff retirement benefits, directors and key management personnel. Transaction with related parties are as under:

RELATION WITH COMPANY	NATURE OF TRANSACTION		
Associated Companies	Sale of cotton yarn	954,400	-
Retirement benefit	Contribution to gratuity	2,815,688	2,524,650
Key Management Personnel	Remuneration and other benefits	450,000	1,215,000

30.1) Maximum aggregate balance due from associated undertaking at the end of any month during the year was Rs. 500,000 (2008: 12,000,000).

30.2) There is no transaction with key management Personnel other than their terms of employment.



31) REMUNERATION OF CHIEF EXECUTIVE, OFFICERS AND DIRECTORS

The aggregate amount charged in the accounts for the year for remuneration to the Chief Executive, Directors and executives was as follows:

	2009		2008	
	Chief Executive	Directors	Chief Executive	Directors
	Rs.	Rs.	Rs.	Rs.
Managerial remuneration	280,000	-	800,000	-
House rent	112,000	-	320,000	-
Utilities	28,000	-	80,000	15,000
Board meeting fee	-	30,000	-	-
	<u>420,000</u>	<u>30,000</u>	<u>1,200,000</u>	<u>15,000</u>
Number of persons	1	1	1	1

There were no Executives

The Chief Executive Officer has been provided with Company Maintained car.

32) PLANT CAPACITY AND ACTUAL PRODUCTION

2009 2008
RUPEES RUPEES

Plant Capacity:

- Number of spindles installed	17,208	17,280
- Number of spindles operated during the year	17,280	17,280
- Installed capacity at 20/s count based on 364 Days and 3 shifts per day (Kgs)	4,668,224	4,668,224
- Number of days worked during the year	181	364
- Weight of different yarn counts actually produced during the year (Kgs)	2,761,816	5,164,111
- Actual Production converted into 20/s based on 3 shifts per day(Kgs)	2,420,234	4,732,645

32.1) Shortfall from installed production capacity is due to normal maintenance and electric shut down.

33) UNAVAILED CREDIT FACILITIES

Short term running finance - Rupees	<u>132,056,392</u>	<u>156,594,767</u>
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34) **FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

FINANCIAL ASSETS AND LIABILITIES

	Interest/markup bearing			Non Interest 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		
RUPEES								
FINANCIAL ASSETS								
Long Term Deposits	-	-	-	411,736	1,979,700	2,391,436	2,391,436	2,391,436
Trade Debts	-	-	-	247,200	-	247,200	247,200	7,693,236
Trade Deposits, Short Term Prepayments, and Other Receivables	-	-	-	15,650,727	-	15,650,727	15,650,727	15,650,727
Cash and Bank Balances	-	-	-	1,663,082	-	1,663,082	1,663,082	2,451,240
	-	-	-	17,972,745	1,979,700	19,952,445	19,952,445	28,186,639
FINANCIAL LIABILITIES								
Sponsors loan	-	-	-	-	30,400,000	30,400,000	30,400,000	30,400,000
Loan from Ex-Directors	-	-	-	-	120,204,812	120,204,812	120,204,812	39,505,526
Medium Term Loan	8,193,426	8,193,422	16,386,848	-	-	-	16,386,848	16,386,848
Liability Against Finance Lease	3,575,271	275,640	3,850,911	-	-	-	3,850,911	7,812,591
Staff retirement gratuity	-	-	-	-	5,239,904	5,239,904	5,239,904	4,036,781
Trade Creditors, Accrued Expenses and Other Payables	-	-	-	58,909,151	-	58,909,151	58,909,151	108,855,337
Financial charges payable	-	-	-	21,991,845	-	21,991,845	21,991,845	22,612,302
Short Term Running Finance	27,943,608	-	27,943,608	-	-	-	27,943,608	93,405,233
	39,712,305	8,469,062	48,181,367	80,900,996	155,844,716	236,745,712	284,927,079	323,014,618
On balance sheet gap	(39,712,305)	(8,469,062)	(48,181,367)	(62,928,251)	(153,865,016)	(216,793,267)	(264,974,634)	(294,827,979)

Effective interest rates for the monetary financial liabilities are mentioned in the respective notes to the accounts. Effective interest rates for the monetary assets ranges from 12% to 12.94%.

Interest Rate Risk

Since the company borrows funds usually at fixed interest rates, therefore, the risk occurrence is minimal. Applicable effective interest rates for financial assets and financial liabilities have been disclosed in respective notes to the financial statement.

Foreign Exchange Risk Management

Foreign exchange risk arose mainly where receivables and payables exists in foreign currency. Foreign currency risk on financial instruments, receivables or payable in foreign currency is also not material as company is partly export based industry. Furthermore export volume was very low during the year.

Concentration of Credit Risk

Credit risk represents the accounting loss that would be recognized at reporting date if counter parties fail to perform as contracted. The company deals mostly with regular and permanent customers who pay the instrument on due dates. Company believes that it is not exposed to major concentration of credit risk due to transaction with foreign undertakings.

Liquidity Risk

Liquidity risk is the risk that an entity will be unable to meet its funding requirements. To guard against this risk, the company has diversified funding sources and assets are managed with liquidity in mind. The maturity profile is monitored to ensure that adequate liquidity position is maintained.

Fair Value of Financial Assets and Liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values determined on the basis of objective evidence at each reporting date.

35) **Date of Authorization For Issue**

These financial statements have been authorized for issue on 26 September, 2009 by the Board of Directors of the company.

36) **General**

36.1) Figures have been re-arranged and re-classified for comparative purposes.

36.2) Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR



FORM OF PROXY

No. of Shares

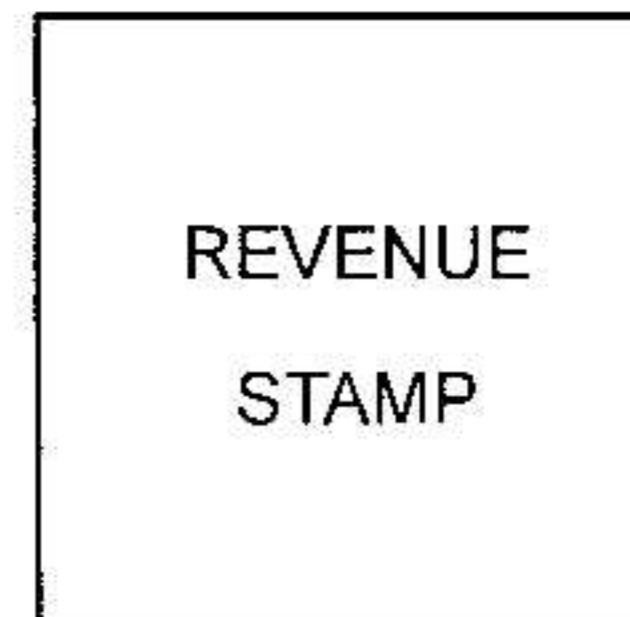
Please Quote Folio No.

I/We _____ of _____
a member(s) OF KHALID SIRAJ TEXTILE MILLS LIMITED and holding _____
ordinary shares, as per Register folio / CDC A/c No. _____
hereby appoint Mr. _____ of _____
of failing his _____ of _____
who is also a member of the company vide Register Folio / CDC A/c No. _____ As my/our
proxy to vote for me/us and on my/our behalf at the 22nd Annual General Meeting of
the Company to held on 31st October 2009 at 10:30 a.m. and at any adjournment thereof

As witness my/our hand this _____ day of _____ 2009.

1. witness _____

2. witness _____



SIGNATURE OF MEMBER (S)

A member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of his behalf. No. Person shall act as proxy (except for a corporation) unless he is entitled to be present and vote in his own right.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a Corporation its common seal (if any) should be affixed to the instrument.

The proxies shall be lodged with the company not later than 48 hours before the time of meeting.

For CDC Account Holders:

- The proxy form shall be witnessed by two persons where names, addresses and NIC number shall be mentioned on the form.
- Attested copies of NIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his/her original NIC or original Passport at the time of meeting.

