بسم الله الرحمن الرحيم

C O N T E N T S

COMPANY INFORMATION

CHIEF EXECUTIVE	:	Ch. Muhammad Khurshid
DIRECTORS	:	Ch. Rahman Bakhsh Mrs. Salma Aziz Mr. Kamran Ilyas Mr. Azhar Khurshid Chaudhry Miss Kiran A. Chaudhry Mr. Muhammad Ali Chaudhry
CHIEF FINANCIAL OFFICER	:	Mr. Abid Murtaza
COMPANY SECRETARY	:	Mr. Abid Murtaza
AUDITORS	:	M/s Ernst Young Ford Rhodes Sidat Hyder Chartered Accountants Lahore.
AUDIT COMMITTEE	:	Mr. Kamran Ilyas — Chairman Mr. Azhar Khurshid Chaudhry — Member Mrs. Salma Aziz — Member
BANKERS	:	National Bank of Pakistan First National Bank Modaraba RBS (Royal Bank of Scotland) Faysal Bank Limited Al Baraka Islamic Bank Orix Leasing Pakistan Limited Orix Investment Bank Pakistan Limited Bank Alfalah Limited The Bank of Punjab Bankislami Pakistan Limited
SHARE REGISTRAR	:	Corplink (Pvt.) Ltd.
LEGAL ADVISOR	:	Mr. Shaukat Haroon (Advocate)
REGISTERED OFFICE	:	314-Upper Mall, Lahore.
MILLS	:	1.5 Kilometer Habibabad, Chunian Road, Tehsil Chunian, District Kasur.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of the Shareholders of Resham Textile Industries Limited will be held on Friday October 31, 2008 at 11:00 a.m. at the Registered Office of the Company i.e. 314 Upper Mall, Lahore to transact the following business.

1. To confirm the minutes of the last Meeting.

2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2008 and reports of the Directors' and Auditors' thereon.

3. To appoint auditors and to fix their remuneration for the year ending June 30, 2009. The auditors M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, Lahore retire and being eligible, offer themselves for reappointment.

4. To transact such other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

(Khuldoon A. Rahman)
Company Secretary

Lahore: 10 October 2008.

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 25, 2008 to October 31, 2008 (both days inclusive).

2. A member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. A proxy form duly signed and stamped must be deposited at the Registered Office of the Company not less then 48 hours before the time fixed for holding the meeting.

3. The account holders of CDC are requested to bring their original CNIC/ Passport for the purpose of identification at the meeting.

Shareholders are requested to immediately notify the Company, any changes in address.

DIRECTORS' REPORT

It is my pleasure to present the Directors' Report and the audited accounts for the financial year ended June 30, 2008 along with the Auditors' Report.

Performance Review

The year under review was a difficult year when political and economic uncertainty and massive load shedding, alongwith shortage and quality of cotton adversely affected textile industry. Input costs and financial charges registered new peaks.

It is, however, source of great satisfaction that Company operations continued uninterrupted and another major achievement was the addition of Captive Power Plant to the production facilities, ensuring savings and smooth electric supply to the entire mill. Full effect of this addition would however be seen in the next year as its operations started on May 7, 2008. The year also witnessed completion of the BMR programme of the Mill, making the production facilities among one of the best ranking in the country, producing high quality yarn for the local air-jet industry and export markets.

The financial results, in summarized form, are given below:-

	2008	2007
	(Rupees in Million)	
Sales – Net	1,298,019	1,198,893
Cost of Sales	1,261,697	1,152,020
Gross Profit	36.322	46.873
Admin & Selling Expenses	17.282	15.315
Operating Profit	19.040	31.558
Other Income	6.115	17.864
	25.155	49.422
Finance Cost	79.341	80.613
(Loss) / Profit before Taxation	(54.187)	(31.191)
Provision for Taxation	19.484	(8.485)
(Loss) / Profit after Taxation	(34.702)	(39.675)
Loss per share (Rupees)	(1.15)	(1.54)

Changes in Accounting Policies

During the year, the Company has adopted the Islamic Financial Accounting Standard (IFAS) 2 – "Ijarah" issued by the Institute of Chartered Accountants of Pakistan and notified for adoption by the Securities and Exchange Commission of Pakistan, vide SRO 431 (I)/2007 dated May 22, 2007, by all companies for periods beginning on or after January 01, 2007. Pursuant to the requirements of the said standard, payments under ijarah agreements are recognized as an expense in the income statement on a straight line basis over the ijarah term. Previously, such payments were recognized as assets subject to finance lease in accordance with the requirements of IAS 17. Adoption of this standard did affect the financial performance and position of the Company. This change has been accounted for as change in accounting policy with prospective effects in accordance with requirements of IFAS – 2 and is applicable on those ijarah which commence after the above mentioned effective date.

The effects of said change in accounting policy are summarized below:

	2008 Rupees
Decrease in earnings of the Company	4,507,560
Decrease in finance cost	4,215,816
Increase in taxation	1,411,770
Decrease in liabilities subject to finance lease	36,313,500
Decrease in leased assets	36,313,500
Increase in loss per share (Rupees per share)	0.15

Future Prospects

After the completion of up-gradation work and addition of the Captive Power Plant, the Company is in a strong position to focus on marketing and other areas of operations. Depreciation of Rupee should give a boost to exports of yarn and fabric and installation of a political Government in the country is likely to secure access to traditional and new markets for our products. A good crop of cotton is also expected this year and if prices of raw materials are favourable, it may give an additional boost to the profitability of the operations of the Company during next year.

Corporate and Financial Reporting Framework

As required by the code of corporate governance, Directors are pleased to report that:

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

? Proper books of accounts of the Company have been maintained.

? Accounting policies have been, consistently applied in preparation of financial statements except for the changes as stated in financial statements and the accounting estimates are based on reasonable and prudent judgment.

? International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

? The system of internal control, which is in place, is being continuously reviewed by internal audit. The process of review will continue and any weakness in control will be removed.

? There are no doubts about the Company's ability to continue as a going concern.

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

? Outstanding taxes and other Government levies are given in related note(s) to the audited accounts.

? During the last financial year, seven (7) meetings of the Board of Directors were held.

? Key operations and financial data for last seven (7) years is annexed.

? No trade in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary, Executives, their spouses and minor children.

Pattern of Shareholding

A statement reflecting the pattern of shareholding is attached to the Annual report.

Acknowledgements

The Directors take this opportunity to thank the Company's Bankers, particularly National Bank of Pakistan, Al Baraka Islamic Bank, Faysal Bank, Royal Bank of Scotland (RBS), First National Bank Modaraba, Orix Leasing Pakistan Limited, Orix Investment Bank Pakistan Limited, Bank Alfalah Limited, The Bank of Punjab, Bankislami Pakistan Limited, Trust Investment Bank Limited, Security Leasing Corporation Limited and other financial Institutions for their confidence in the Company and strong financial support. The Directors feel pleasure in expressing appreciation for the continued interest and support of all the shareholders of the Company. The Directors would also like to particularly mention the dedication and devotion displayed by the employees while performing their duties during the period and hope that the same spirit will prevail in the future as well.

For and on behalf of the Board

CH. MUHAMMAD KHURSHID

Lahore : 10 October 2008.

(Chief Executive)

Financial Summary

	2009	2008	2007	2006	2005	2004	2003
BALANCE SHEET							
(Rs. in thousand)							
Paid up Share Capital	**360,000**	360,000	300,000	245,177	245,177	183,883	114,927
Unappropriated Profit/(Loss)	**(69,104)**	(61,475)	(34,962)	(5,715)	2,430	(50,811)	(226,071)
Revaluation Surplus	**89,422**	96,544	117,693	158,071	189,623	199,785	83,163
Total Equity & Revaluation surplus	**380,318**	395,067	382,729	397,533	437,230	332,857	(27,981)
Long Term Liabilities	**219,139**	243,794	145,520	186,600	246,564	53,653	300,001
Liabilities against assets subject to finance lease	**136,744**	164,481	157,132	128,312	50,227	–	–
Deferred Liabilities	**23,716**	26,662	46,331	42,363	22,035	45,582	14,944
Long Term Advances	**53**	65	46	66	53	152	125
Current Liabilities	**420,836**	339,082	308,427	293,206	236,325	137,526	72,012
	1,180,806	1,169,153	1,040,187	1,048,081	992,434	569,770	359,101
Represented by:							
Fixed Assets	**821,228**	882,840	768,566	723,221	374,220	398,292	267,593
Capital work in progress	**–**	–	1,340	51,830	377,966	8,820	–
Other Assets	**3,682**	3,682	7,668	7,648	3,725	1,469	1,567
Current Assets	**355,896**	282,631	262,613	265,382	236,523	161,190	89,941
	1,180,806	1,169,153	1,040,187	1,048,081	992,434	569,770	359,101
PROFIT AND LOSS							
Sales	**1,542,141**	1,302,115	1,198,893	973,118	601,077	821,098	714,391
Cost of Sales	**1,419,120**	1,261,697	1,152,020	920,847	541,298	779,401	697,087
Gross Profit	**123,021**	40,418	46,873	52,270	59,779	41,697	17,304
Operating Profit	**99,728**	19,039	31,558	38,348	37,990	30,850	6,510
(Loss) / Profit Before Taxation	**(13,737)**	(54,187)	(31,191)	(6,332)	21,444	182,546	(2,945)
(Loss) / Profit After Taxation	**(15,047)**	(34,702)	(39,675)	(15,313)	37,998	166,777	(6,832)
Earning / Loss per share	**(0.42)**	(1.15)	(1.54)	(0.59)	1.72	10.13	(0.59)
Dividend %	**–**	–	–	–	5.00	–	–
PERCENTAGE TO SALES							
Gross Profit % age	**7.98**	3.10	3.91	5.37	9.95	5.08	2.42
Profit/(Loss) Before Taxation % age	**(0.89)**	(4.17)	(2.60)	(0.65)	3.57	22.23	(0.41)
Net Profit(Loss) After Taxation % age	**(0.98)**	(2.67)	(3.31)	(1.57)	6.32	20.31	(0.96)
Admin & Selling Expenses % age	**1.51**	1.33	1.28	1.63	3.74	1.76	2.17

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 37 of Listing Regulation of Karachi Stock Exchange and Clause 49 (Chapter VIII) of the Listing Regulation of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors. At present the Board includes four (4) independent 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 any banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.

4. The board has developed a mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended is being maintained.

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

6. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings along-with agenda were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

7. 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.

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

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

10. The Board has formed an audit committee comprising three members, of whom all are non-executive directors including the Chairman of the committee.

11. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

12. The Board has set-up an effective internal audit function. The staff is considered to be suitably qualified and experienced for the purpose and is fully conversant with the policies and procedures of the Company.

13. 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.

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

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

For and on behalf of the Board

CH. MUHAMMAD KHURSHID
(Chief Executive)

Lahore : 10 October 2008.

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 **RESHAM TEXTILE INDUSTRIES LIMITED** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange respectively where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement of internal controls covers all the risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

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

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

LAHORE : 09 October 2009.

(ERNST YOUNG FORD RHODES SIDAT HYDER)
CHARTERED ACCOUNTANTS
Naseem Akber
Lahore

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **RESHAM TEXTILE INDUSTRIES LIMITED** as at **30 June 2008** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in Note 4.2 to the financial statements with which we concur;

   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 **30 June 2008** and of the loss, its cash flows and changes in equity for the year then ended; and

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

LAHORE : 10 October 2008

(FORD RHODES SIDAT HYDER & CO.)
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT

	Note	2008 Rupees	2007 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
36,000,000 (2007: 30,000,000) ordinary shares of Rs. 10 each		360,000,000	300,000,000
Issued, subscribed and paid up capital	5	360,000,000	300,000,000
Accumulated loss		(61,475,679)	(34,962,781)
Total equity		298,524,321	265,037,219
Surplus on revaluation of fixed assets	6	96,544,486	117,692,690
NON-CURRENT LIABILITIES			
Long term financing	7	243,794,430	145,520,000
Liabilities against assets subject to finance lease	8	164,480,811	153,146,797
Deferred liabilities	9	65,438	46,238
Long term deposits	10	26,662,719	43,331,506
		435,003,398	345,044,541
CURRENT LIABILITIES			
Trade and other payables	11	115,687,157	126,589,577
Accrued mark-up on financing	12	19,194,357	13,097,190
Short term borrowings	13	152,862,180	100,108,213
Current portion of long term liabilities	14	51,337,995	68,632,306
		339,081,689	308,427,286
Total liabilities		774,085,087	653,471,827
TOTAL EQUITY & LIABILITIES		1,169,153,894	1,036,201,736
CONTINGENCIES AND COMMITMENTS	15	–	–

The annexed notes from 1 to 41 form an integral part of these financial statements.

(CHIEF EXECUTIVE)

JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	882,840,320	769,906,081
Long term deposits		3,682,560	3,682,560
		886,522,880	773,588,641
CURRENT ASSETS			
Stores and spare parts	17	10,367,992	7,114,836
Stock in trade	18	226,321,693	186,504,024
Trade debts	19	9,873,063	25,864,624
Loans and advances	20	3,777,761	2,651,312
Trade deposits and short term prepayments	21	2,049,980	1,641,345
Other receivables	22	5,995,405	1,001,035
Taxation – net		3,603,364	8,858,471
Tax refunds due from Government	23	8,938,754	4,535,297
Cash and bank balances	24	3,950,639	4,961,945
		274,878,651	243,132,889
Assets held for sale	25	7,752,363	19,480,206
		282,631,014	262,613,095
TOTAL ASSETS		1,169,153,894	1,036,201,736

(DIRECTOR)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
Sales – net	26	1,298,019,307	1,198,892,992
Cost of sales	27	1,261,697,364	1,152,020,214
Gross profit		36,321,943	46,872,778
Operating expenses:			
Distribution cost	28	1,359,270	3,065,256
Administrative expenses	29	15,922,999	12,249,609
		17,282,269	15,314,865
Operating profit		19,039,674	31,557,913
Other operating income	30	6,115,020	17,864,373
		25,154,694	49,422,286
Finance cost	31	79,341,328	80,613,121
Loss before taxation		(54,186,634)	(31,190,835)
Taxation	32	19,484,418	(8,484,582)
Loss after taxation		(34,702,216)	(39,675,417)
Loss per share – basic and diluted	33	(1.15)	(1.54)

The annexed notes from 1 to 41 form an integral part of these financial statements.

(CHIEF EXECUTIVE) (DIRECTOR)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	43,508,792	80,602,760
Finance cost paid		(73,244,161)	(71,485,611)
Income tax paid		(1,293,397)	(5,311,653)
Increase in long term deposits		(3,985,565)	(20,000)
Gratuity paid		(2,259,448)	(2,414,989)
Net cash/(used in) from operating activities		(37,273,779)	1,370,507
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred on property, plant and equipment		(118,168,851)	(15,267,775)
Proceeds from sale of property, plant and equipment		10,205,000	34,158,050
Net cash (used in) / from investing activities		(107,963,851)	18,890,275
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		60,000,000	54,822,400
Proceeds from / (Repayment of) long term finances		92,193,930	(77,092,866)
Repayment of liabilities under finance lease-net		(57,582,452)	(24,998,250)
Increase in short term borrowings		49,595,646	29,196,388
Increase / (Decrease) in long term deposits		19,200	(20,050)
Net cash from / (used in) financing activities		144,226,324	(18,092,378)
Net (decrease) / increase in cash and cash equivalents		(1,011,306)	2,168,404
Cash and cash equivalents at the beginning of the year		4,961,945	2,793,541
Cash and cash equivalents at the end of the year	24	3,950,639	4,961,945

The annexed notes from 1 to 41 form an integral part of these financial statements.

(CHIEF EXECUTIVE) (DIRECTOR)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	Share capital	Accumulated loss	Total equity
	----------------------------------	Rupees	----------------------------------
Balance as on July 01, 2006	245,177,600	(5,714,612)	239,462,988
Issue of right shares	54,822,400	–	54,822,400
Net loss for the year	–	(39,675,417)	(39,675,417)
Transferred from surplus on revaluation of fixed assets – incremental depreciation net of deferred tax	–	10,427,248	10,427,248
Balance as on June 30, 2007	300,000,000	(34,962,781)	265,037,219
Issuance of shares	60,000,000	–	60,000,000
Net loss for the year	–	(34,702,216)	(34,702,216)
Transferred from surplus on revaluation of fixed assets incremental depreciation net of deferred tax	–	8,189,318	8,189,318
Balance as on June 30, 2008	360,000,000	(61,475,679)	298,524,321

The annexed notes from 1 to 41 form an integral part of these financial statements.

(CHIEF EXECUTIVE) (DIRECTOR)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1. THE COMPANY AND ITS OPERATIONS

Resham Textile Industries Limited (the Company) is a public limited company incorporated in Pakistan on June 06, 1990 under the Companies Ordinance, 1984 and quoted on the Lahore and Karachi stock exchanges. The registered office of the Company is situated at 314- the Upper Mall, Lahore. The Company is principally engaged in the business of manufacturing and selling of yarn.

2. STATEMENT OF COMPLIANCE

2.1 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.

2.2 Amendments to the published standards effective in 2008

IAS-1 (Amendment) – "Presentation of Financial Statements" is mandatory for the Company's accounting period beginning on or after 01 January 2007. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 38.1 to the financial statements.

The Islamic Financial Accounting Standard becomes operative for financial statements covering period beginning on or after first day of July 2007.

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

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

IAS 1- Presentation of Financial Statements (Revised)	Effective from 01 January 2009
IAS 23 - Borrowing Costs (Revised)	Effective from 01 January 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	Effective from 01 July 2009
IAS 29-Financial Reporting in Hyperinflationary Economies	Effective from 01 July 2008
IFRS 3-Business Combinations	Effective from 01 July 2009
IFRS 7-Financial Instruments: Disclosures	Effective from 01 July 2008
IFRS 8–Operating Segments	Effective from 01 January 2009
IFRIC 4–Determining Whether an Arrangement contains a Lease	Effective from 01 January 2008
IFRIC 12–Service Concession Arrangement	Effective from 01 January 2008
IFRIC 13 – Customer Loyalty Programs	Effective from 01 July 2008
IFRIC 14 – The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interactions	Effective from 01 January 2008

The Company expects that the adoption of the above standards, amendments and interpretations will have no impact on the Company's financial statements in the period of initial application.

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for recognition of certain employee benefits at present value, certain fixed assets measured at revalued amounts and financial instruments carried at their fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Critical accounting estimates and judgments

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

- Employment benefits (Note 4.7);
- Taxation (Note 4.10);
- Useful lives and residual value of the assets (Note 4.11); and
- Provision for doubtful debts (Note 4.14).

4.2 Change in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except as follows:

During the year, the Company has adopted the Islamic Financial Accounting Standard (IFAS) 2 - "Ijarah" issued by the Institute of Chartered Accountants of Pakistan and notified for adoption by the Securities and Exchange Commission of Pakistan, vide SRO 431(I)/2007 dated May 22, 2007, by all companies for periods beginning on or after January 01, 2007. Pursuant to the requirements of the said standard, payments under ijarah arrangements are recognized as an expense in the income statement on a straight line basis over the ijarah term. Previously, such payments were recognized as assets subject to finance lease in accordance with the requirements of IAS 17. Adoption of this standard did affect the financial performance and position of the Company. This change has been accounted for as change in accounting policy with prospective effects in accordance with the requirements of IFAS-2 and is applicable on those ijarah which commence after the above mentioned effective date.

The effects of said change in accounting policy are summarized below:

	2008
	Rupees
Decrease in earnings of the Company	4,507,560
Decrease in finance cost	4,215,816
Increase in taxation	1,411,770
Decrease in liabilities subject to finance lease	36,313,500
Decrease in leased assets	36,313,500
Increase in loss per share (Rupees per share)	0.15

The principal effects on disclosures of these changes are disclosed in note 15 and 27.

4.3 Surplus on revaluation of fixed assets

This represents the surplus arising on the revaluation of operating fixed assets of the Company. Revaluation surplus is credited to the "surplus on revaluation of fixed assets" except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. An annual transfer from the surplus on revaluation of fixed assets (net of deferred tax) to un-appropriated profit is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

This surplus is not free for setting-off or reducing any deficit of the Company. However, it can only be utilized:

i) to the extent actually realized on disposal of the assets which are revalued;

ii) to the extent of incremental depreciation arising out of revaluation of fixed assets; or

iii) setting-off or in diminution of any deficit arising from the revaluation of any other fixed assets of the Company.

4.4 Interest bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the received less directly attributable transaction costs. After initial recognition, long term interest-bearing loans and borrowings are measured at amortized cost using the effective interest method while short term borrowings are measured at fair value. Gains and losses are recognized in net profit or loss when the liabilities are derecognized as well as through the amortization process.

4.5 Liabilities against assets subject to finance lease

Leases, where the Company has substantially all the risks and rewards of ownership of assets, are classified as finance leases. At inception, finance leases are recorded at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease as referred to in Note 8. The liabilities are classified as current and non-current depending upon the timing of the payment. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

4.6 Ijarah assets

The Company recognizes ijarah payments under an Ijarah agreement as an expense in the profit and loss account on a straight line basis over the Ijarah term.

4.7 Employee Benefits

The Company operates an unfunded gratuity scheme for its permanent employees. The latest valuation was carried out as at June 30, 2008 using the projected unit credit method. The future contribution rates of this plan include allowances for deficit and surplus. Following significant assumptions are used for valuation of this scheme:

– Expected rate of increase in salary level is 11 % (2007: 8%) per annum.
– Discount rate of 12% (2007: 9 %) per annum.

4.8 Provisions

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

4.9 Dividend

Dividend is recognized as a liability in the period in which it is declared.

4.10 Taxation

Current

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing current tax rates or tax rates after taking into account rebates and tax credits, if any, expected to apply to the profit for the year, if enacted or minimum tax at the rate of 0.5 percent of the turnover, whichever is higher. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for by using the liability method on all timing differences between carrying amounts of assets and liabilities in the financial statements and their tax base. Deferred tax liabilities are recognized for all taxable temporary differences. The Company recognizes deferred tax assets on all deductible temporary differences to the extent it is probable that future taxable profits will be available against which these deductible temporary differences can be utilized. Deferred tax asset is also recognized for the carry forward of unused tax losses and unused tax credits to the extent it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized. Deferred tax is charged to / credited in the profit and loss account except in case of items credited or charged to equity in which case it is included in equity.

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

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

Trade and other payable

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

4.11 Property, Plant and Equipment

4.11.1 Operating fixed assets and depreciation

a) Cost

Operating fixed assets except land, building and plant & machinery are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing the part of such assets when that cost is incurred if the recognition criteria are met. Capital work-in-progress is stated at cost. Building and plant & machinery are stated at revalued amount less accumulated depreciation, while land is stated at revalued amount.

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

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

b) Depreciation

Depreciation is charged to income on reducing balance method to write off the cost of operating fixed assets over their expected useful lives at the rates mentioned in Note 16.

Depreciation on assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

c) Derecognition

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

4.11.2 Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and fair value of assets. Assets so acquired are depreciated over their expected useful lives at the rates mentioned in Note 16. Depreciation of leased assets is charged to current year's income.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

4.12 Stores and spares

These are valued at lower of moving average cost and net realizable value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Provision is made for slow moving items.

4.13 Stock in trade

These are valued at lower of cost and net realizable value applying the following basis:

Raw material	-	First in first out (FIFO)
Raw material in transit	-	Invoice value plus other charges paid thereon
Work in process	-	Average manufacturing cost
Finished goods	-	Average manufacturing cost
Waste	-	Net realizable value

Average manufacturing cost in relation to work in process and finished goods signifies cost including a portion of related direct overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make such sale.

4.14 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Known bad debts are written off and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.16 Financial instruments

Financial instruments comprise long term deposits, trade debts, loans and advances, cash and bank balances, long term financings, short term borrowings and trade and other payables.

Financial assets and liabilities are recognized at the time the Company becomes a party to contractual provisions of the instruments.

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

4.17 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss account.

4.18 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and revenue can be measured reliably. The following specific criteria must be met before revenue is recognized:

a) Sale of goods

Revenue from sales is recognized on dispatch of goods to customers. Export goods are considered dispatched when shipped on board.

b) Interest income

Profit on bank deposits is recognized using effective interest method.

4.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit and loss account whenever incurred.

4.20 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional currency. Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency rate of exchange prevailing at the balance sheet date. All differences are taken to the profit and loss account.

4.21 Related party transactions

Transactions and contracts with related parties are carried out at arms length prices determined in accordance with comparable uncontrolled price method. Parties are said to be related if they are able to influence the operating and financial decision of the company and vice versa.

4.22 Off-setting of financial instruments

Financial assets and 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 to settle the liabilities simultaneously.

	Note	2008 Rupees	2007 Rupees

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2008 (Number of shares)	2007 (Number of shares)		2008 Rupees	2007 Rupees
30,000,000	24,517,760	Ordinary shares of Rs. 10 each fully paid in cash	300,000,000	245,177,600
6,000,000	5,482,240	Issued during the year	60,000,000	54,822,400
36,000,000	30,000,000	Closing balance	360,000,000	300,000,000

6. SURPLUS ON REVALUATION OF FIXED ASSETS

	2008 Rupees	2007 Rupees
Surplus on revaluation of fixed assets as at July 01	155,068,808	196,960,562
Surplus on revalued assets sold	(7,183,566)	(27,638,029)
Surplus relating to incremental depreciation charge on related assets – transferred to unappropriated profit	(12,164,714)	(14,253,725)
Surplus on revaluation of fixed assets as at June 30	135,720,528	155,068,808
Less: Related deferred tax liability on:		
– Balance as at July 01	(37,376,118)	(38,889,929)
– Increase due to change in proportionate local sales	(8,122,890)	(9,732,221)
– Fixed assets disposed off during the year	2,347,570	7,419,555
– Incremental depreciation charged during the year	3,975,396	3,826,477
	(39,176,042)	(37,376,118)
	96,544,486	117,692,690

This represent surplus resulting from revaluation of land, building and plant & machinery carried out on September 30, 1997 and September 30, 2004 by independent valuers. The revaluation carried out on September 30, 2004 was done by M/s. Asif Associates (Pvt.) Limited on the basis of "depreciated replacement value" resulting in an increase by Rupees 146,236,123 in the value of said fixed assets.

7. LONG TERM FINANCING

	Note	2008 Rupees	2007 Rupees
From banking companies:			
– Secured			
National Bank of Pakistan	(7.1)	141,057,500	141,057,500
Orix Investment Bank Pakistan Limited	(7.2)	30,000,000	30,000,000
Faysal Bank Limited	(7.3)	70,538,000	–
		241,595,500	171,057,500
From related parties :			
– Unsecured			
Loan from directors	(7.4)	21,655,930	–
		263,251,430	171,057,500
Less: Current portion taken as current liability		19,457,000	25,537,500
		243,794,430	145,520,000

7.1 This loan is obtained to undertake Balancing, Modernization and Replacement (BMR) and expansion of the production facilities against the sanctioned limit of Rupees 152 million (2007 : Rupees 144.4 Million). The loan is repayable in five years, in quarterly installments starting from October 1, 2008. The rate of mark-up is 6 months KIBOR plus 2.5% with floor of 5.5% per annum and no cap (2007: 6 months KIBOR plus 2.5% with floor of 5.5% per annum and no cap). The loan is secured by way of first exclusive charge on entire fixed assets of the Company including land, building, plant and machinery and personal guarantees of all directors of the Company.

7.2 The facility is obtained for expansion of production facilities against the sanctioned limit of Rupees 30 Million (2007: Rupees 30 Million). The loan is repayable in five years, including two grace years, in 12 quarterly installments. The rate of mark-up is 6 month KIBOR plus 3% with no floor and no cap (2007: 6 month KIBOR plus 3% with no floor and no cap). For first three months the security of the loans was ranking hypothecation charge over all the present and future fixed assets (excluding land and building) inclusive of 25% margin, which is to be maintained at all times. The ranking hypothecation charge over fixed assets was upgraded to first pari passu charge with in 90 days from the date of disbursement. The loan is further secured by demand promissory note amounting to Rupees 49.592 million duly signed by directors of the company.

7.3 The facility is obtained for purchase of gas generators against the sanctioned limit of Rupees 70.538 Million. The loan is repayable in five years, including one grace year, in 8 equal half yearly principal installments. The rate of mark-up is 7 % per annum (5% State Bank of Pakistan rate plus 2 % Faysal bank spread). The security of the loans was ranking fixed assets of the company amounting Rupees 92 Million and first pari passu charge on current asset amounting to Rupees 134 Million. The loan is further secured by personal guarantee of the directors.

7.4 This represents unsecured loan from directors of the company payable in September 2010. The rate of interest is 6 month KIBOR plus 2% with no floor and no cap.

	Note	2008 Rupees	2007 Rupees
8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
The amount of future rentals and periods during which they fall due are as under:			
Not later than one year		55,800,751	65,644,662
Not later than one year and not later than five years		196,792,556	186,465,160
Due after five years		1,403,694	–
		253,997,001	252,109,822
Less: Future financial charges		(57,635,195)	(51,882,654)
Net lease obligation	(8.1)	196,361,806	196,241,603
Less: Current portion taken as current liability	(14)	(31,880,995)	(43,094,806)
		164,480,811	143,146,797

8.1 Break up of net lease obligation

	2008	2007
Within one year	31,880,995	43,094,806
Within two to five years	163,124,781	153,146,797
Due after five years	1,356,030	–
	196,361,806	196,241,603

8.2 The value of the minimum lease payments has been discounted at an implicit interest rate ranging from 6 month KIBOR plus 2.50% to 4.00% (2007: 6 month KIBOR plus 2.50% to 4.00%) per annum. The lease liability and interest charge are repriced after every six months. The balance rentals are payable in quarterly installments and in case of default of any payment, an additional charge at the rate of 1 to 2 percent per annum shall be paid. Taxes, repairs and insurance costs are to be borne by the Company. In case of termination of the agreement, the Company shall pay entire amount of rentals for un-expired period of lease agreement.

9. LONG TERM DEPOSITS

These represent deposits taken from employees against future sale of vehicles.

	Note	2008 Rupees	2007 Rupees
10. DEFERRED LIABILITIES			
Deferred taxation	(10.1)	21,359,267	41,616,869
Post employment benefits – unfunded	(10.2)	5,303,452	4,714,637
		26,662,719	46,331,506

10.1 Deferred Taxation

	2008 Rupees	2007 Rupees
Taxable timing differences		
Surplus on revaluation of fixed assets	39,176,041	37,376,117
Accelerated tax depreciation	86,874,316	48,688,080
Assets subject to finance lease	83,834,624	65,811,111
	209,884,981	151,875,308
Deductible timing differences		
Unapproved gratuity	(1,733,154)	(1,265,666)
Liabilities against assets subject to finance lease	(64,170,514)	(53,751,894)
Unused tax losses	(122,622,046)	55,240,879
	(188,525,714)	(110,258,439)
	21,359,267	41,616,869

10.2 Post employment benefits-unfunded

These are composed of:

	2008 Rupees	2007 Rupees
Present value of defined benefit obligation	5,673,677	4,347,878
Unrecognized actuarial (losses) / gains	(370,225)	366,759
Liability recognized in the balance sheet	5,303,452	4,714,637

10.3 Movement in net liability

	2008 Rupees	2007 Rupees
Liability at the beginning of the year	4,714,637	5,197,884
Charge for the year	2,848,263	1,931,742
	7,562,900	7,129,626
Paid during the year	(2,259,448)	(2,414,989)
Liability at the end of the year	5,303,452	4,714,637

10.4 Charge for the year

	2008 Rupees	2007 Rupees
Current service cost	2,413,475	1,496,941
Interest cost	434,788	434,801
Actuarial gains recognized	–	–
Charge for the year	2,848,263	1,931,742

		Note	2008 Rupees	2007 Rupees
10.5	The charge for the year has been allocated as follows:			
	Cost of sales	(27)	2,364,437	1,418,264
	Distribution cost	(28)	222,560	188,939
	Administrative expenses	(29)	261,266	324,539
			2,848,263	1,931,742

11. TRADE AND OTHER PAYABLES

Creditors		80,975,181	10,348,905
Morabaha finance & LPO		10,000,100	97,095,500
Accrued liabilities		17,053,052	17,757,831
Advances from customers	(11.1)	6,014,180	145,933
Security deposits		166,410	–
Unclaimed Workers' Profit Participation Fund		783,523	783,523
Unclaimed dividend		320,055	320,055
Others		374,656	137,830
		115,687,157	126,589,577

11.1 These represent advances against sale of yarn and carry no mark-up.

12. ACCRUED MARKUP ON LONG TERM FINANCING

Long term finances	4,559,139	4,643,512
Short term borrowings	6,956,958	7,978,920
Lease rental payable	7,678,260	474,758
	19,194,357	13,097,190

13. SHORT TERM BORROWINGS

From financial institutions:			
– Secured			
Cash finance	(13.1)	152,862,180	88,608,213
From related parties:			
– Unsecured			
Loan from directors	(13.2)	–	11,500,000
		152,862,180	100,108,213

13.1 These facilities have been obtained against aggregate sanctioned limit of Rupees 725 million (2007: Rupees 555 million) to finance working capital requirements of the Company for purchase of raw material. The rates of mark up range between KIBOR+2% to KIBOR+3% per annum (2007: KIBOR+2% to KIBOR+3.5% per annum). These are secured against pledge of cotton bales, yarn bags, first pari passu charge on all current assets of the Company and personal guarantee of the directors of the Company.

13.2 This represents interest free loan from directors of the Company to finance the working capital requirement.

		Note	2008 Rupees	2007 Rupees
14.	**CURRENT PORTION OF LONG TERM LIABILITIES**			
	Long term financing	(7)	19,457,000	25,537,500
	Liabilities against assets subject to finance lease	(8)	31,880,995	43,094,806
			51,337,995	68,632,306

15. CONTINGENCIES AND COMMITMENTS

Contingencies:

– Claim of damages lodged by a creditor amounting to Rupees 987,298 (2007: Rupees 987,298) against violation of contract has not been acknowledged by the Company. The Company has also filed a counter suit for the recovery of claims, compensation and damages amounting to Rupees 3,721,012 (2007: Rupees 3,721,012) for violation of contracts. Therefore, no provision in this respect is made in these financial statements as the management and the legal advisor are confident of a favourable outcome of the case.

– The assessment for the assessment years 2000-2001, 2001-2002 and 2002-2003 were finalized under section 62 of the repealed ordinance (Income Tax Ordinance, 1979). However, the department has filed appeal against the orders before the Income Tax Appellate Tribunal (ITAT), which is pending adjudication. Therefore, no provision in this respect is made in these financial statements as the management and the legal advisor are confident of a favourable outcome of the case.

– The bank guarantees aggregating to Rupees 2,592,615 (2007: Rupees 2,402,245) issued on behalf of the Company were outstanding on balance sheet date against which margins amounting to Rupees 1,467,615 (2007: Rupees 1,277,245) have been deposited with the respective banks.

– Export bills negotiated with commercial banks amounted to Rupees Nil (2007: Rupees 17,476,502) whereas inland bills discounted aggregated Rupees Nil (2007: Rupees Nil) at the balance sheet date.

Commitments:

– **Ijarah commitments**

The Company has entered into ijarah arrangement for plant & machinery with an Islamic Bank. These arrangements have remaining terms of less than five years. Such arrangements also include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future Ijarah payments due under these arrangements, as at June 30 are as follows:

	2008 Rupees	2007 Rupees
Within one year	8,889,805	–
After one year but not more than five years	33,660,425	–
	42,550,230	–

16. PROPERTY, PLANT AND EQUIPMENT

	Note	2008 Rupees	2007 Rupees
Operating fixed assets	(16.1)	882,840,320	768,566,063
Capital work in progress		–	1,340,018
		882,840,320	769,906,081

16.1. Operating fixed assets - Tangible

PARTICULARS	BALANCE AS AT JULY 01, 2007			RECONCILIATION				BALANCE AS AT JUNE 30, 2008			RATE (%)
	Cost/ revalued amount	Accumulated depreciation	Net book value	Additions	DELETIONS (Cost) / Accumulated Depreciation	HELD FOR DISPOSAL (Cost) / Accumulated Depreciation	Depreciation charge for the year	Cost	Accumulated depreciation	Net book value	
	R U P E E S										
Free hold land	21,870,300	–	21,870,300	–	–	–	–	21,870,300	–	21,870,300	
Building											
– Factory	150,612,551	30,766,445	119,846,106	11,914,352	–	–	12,083,902	162,526,903	42,850,347	119,676,556	10
– Residential	33,517,992	3,775,704	29,742,288	–	–	–	1,487,112	33,517,992	5,262,816	28,255,176	5
Plant and machinery	393,086,874	60,110,810	332,976,064	120,749,120	–	–	25,960,755	513,835,994	86,071,565	427,764,429	10
Electric installations	14,873,584	5,131,141	9,742,443	11,310,588	–	–	768,995	26,184,172	5,900,136	20,284,036	10
Mills equipment	4,230,119	1,852,821	2,377,298	405,675	–	–	176,421	4,635,794	2,029,242	2,606,552	10
Office equipment	2,103,182	1,094,730	1,008,452	70,055	–	–	103,029	2,173,237	1,197,759	975,478	10
Furniture and fixtures	753,543	527,782	225,761	–	–	–	16,092	753,543	543,874	209,669	10
Vehicles	8,937,795	3,339,082	5,598,713	106,580	(718,800)	–	623,553	8,325,575	3,689,849	4,635,726	20
					272,786		–				
Arms and ammunition	43,620	13,041	30,579	–	–	–	2,172	43,620	15,213	28,407	10
	630,029,560	106,611,556	523,418,004	144,553,370	(718,800)	–	41,222,031	773,867,130	147,560,801	626,306,329	
					272,786	–					
Assets subject to finance lease											
– Vehicles	913,043	416,352	496,691	–	–	–	99,336	913,043	515,688	397,355	20
– Plant and machinery	278,350,362	33,698,994	244,651,368	15,399,072	–	–	24,978,436	293,749,434	58,677,430	235,072,004	10
– Electric Installation	–	–	–	21,241,646	–	–	177,014	21,241,646	177,014	21,064,632	10
	279,263,405	34,115,346	245,148,059	36,640,718	–	–	25,254,786	315,904,123	59,370,132	256,533,991	
Rs. – 2008:	909,292,965	140,726,902	768,566,063	181,197,088	(718,800)	–	66,476,817	1,089,771,253	206,930,933	882,840,320	
					272,786	–					
Rs. – 2007 :	800,614,306	77,393,492	723,220,814	139,126,283	(5,436,910)	(25,010,714)	69,873,553	909,292,965	140,726,902	768,566,063	
					1,009,635	5,530,508					

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

	Note	2008 Rupees	2007 Rupees
Cost of sales	(27)	65,731,971	68,926,983
Administrative expenses	(29)	744,846	946,570
		66,476,817	69,873,553

16.1.2 The amount of deletions includes assets having book value of Rs. NIL (2007 : Rupees 19,480,206) as assets held for disposal.

16.2 Had there been no revaluation, the related figures of land, building and plant and machinery at June 30, 2008 would have been as follows:

PARTICULARS	BALANCE AS AT JUNE 30, 2008			BALANCES AS AT JUNE 30, 2007		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	----- R u p e e s -----					
Free hold land	6,028,479	–	6,028,479	6,028,479	–	6,028,479
Building						
– Factory	127,980,695	50,952,593	77,028,102	116,066,343	43,607,414	72,458,929
– Residential	11,001,164	2,292,046	8,709,118	11,001,164	1,833,671	9,167,493
Plant and Machinery	802,370,158	370,623,489	431,746,669	625,961,093	340,619,227	285,341,866
	947,380,496	423,868,128	523,512,368	759,057,079	386,060,312	372,996,767

16.3 Detail of the assets disposed off during the year having net book value exceeding Rupees 50,000 is as follows:

DESCRIPTION	Cost	Accumulated Depreciation	Book Value	Sale Proceeds / Insurance claims	Mode of Disposal	Particulars of Purchaser
	----- Rs. -----					
Free Hold						
Vehicle						
Car – LRW – 8365	647,000	245,537	401,463	500,000	Insurance claim	New Jubilee Insurance Company Limited, Lahore
Held for Disposal						
Plant and Machinery						
Cards	14,785,714	3,057,870	11,727,844	9,650,000	Negotiation	Rehman Cotton Mills Limited Takhat-i-Bhai, Mardan.

17. STORES AND SPARE PARTS

	Note	2008 Rupees	2007 Rupees
Stores		812,592	786,694
Spare parts	(17.1)	9,555,400	6,328,142
		10,367,992	7,114,836

17.1 These include stores in transit amounting to Rs. Nil (2007: Rupees 13,143).

18. STOCK IN TRADE

	2008 Rupees	2007 Rupees
Raw material	201,969,278	165,821,017
Work in process	10,620,189	8,248,720
Finished goods	12,705,812	11,535,497
Packing material	871,381	328,731
Waste	155,033	570,059
	226,321,693	186,504,024

19. TRADE DEBTS – Considered good

These represent unsecured trade debts against the local sales.

	Note	2008 Rupees	2007 Rupees
20. LOANS AND ADVANCES – Considered good			
Advances to suppliers		3,436,382	2,390,879
Advances against salary		341,379	260,433
		3,777,761	2,651,312
21. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Bank guarantee margin		1,467,615	1,277,245
Prepayments		471,035	252,770
Letter of credit margin		111,330	111,330
		2,049,980	1,641,345
22. OTHER RECEIVABLES			
Letter of credit		5,862,220	842,422
Others		133,185	158,613
		5,995,405	1,001,035
23. TAX REFUNDS DUE FROM THE GOVERNMENT			
Duty draw back receivable		491,543	491,543
Sales tax refundable		8,422,211	4,018,754
Excise duty refundable		25,000	25,000
		8,938,754	4,535,297
24. CASH AND BANK BALANCES			
Cash in hand		158,466	353,937
Balance with banks on :			
Current accounts		2,043,438	2,268,648
Deposit accounts	(24.1)	1,748,735	2,339,360
		3,792,173	4,608,008
		3,950,639	4,961,945

24.1 It carries profit at the rate ranging from 3.5 % to 4.75% (2007: 2.7% to 3.5%).

25. The Company intends to dispose off such asset through negotiation with in next year.

26. SALES – net	2008 Rupees	2007 Rupees
Yarn		
– Local	1,264,164,197	1,140,870,255
– Export	5,056,965	43,322,695
Waste	32,894,236	19,942,536
	1,302,115,398	1,204,135,486
Less: Commission	4,096,091	5,242,494
	1,298,019,307	1,198,892,992

	Note	2008 Rupees	2007 Rupees

27. COST OF SALES

	Note	2008 Rupees	2007 Rupees
Raw material consumed		954,903,836	857,063,423
Salaries, wages and benefits	(27.1)	79,557,981	77,180,506
Fuel and power		119,958,358	121,684,955
Packing material consumed		15,949,399	14,601,492
Stores and spares consumed		14,339,108	15,164,614
Ijarah rentals		9,235,040	–
Insurance		2,542,211	2,562,032
Repairs and maintenance		974,153	1,174,688
Depreciation	(16.1.1)	65,731,971	68,926,983
Others		1,632,065	2,125,056
		1,264,824,122	1,160,483,749
Add: Opening work in process		8,248,720	7,123,240
Less: Closing work in process		(10,620,189)	(8,248,720)
		(2,371,469)	(1,125,480)
Cost of goods manufactured		1,262,452,653	1,159,358,269
Add: Opening finished goods		12,105,556	4,767,501
Less: Closing finished goods		(12,860,845)	(12,105,556)
		(755,289)	(7,338,055)
Cost of sales		1,261,697,364	1,152,020,214

27.1 Included in salaries, wages and benefits is Rupees 2,364,437 (2007: Rupees 1,418,264) against the Company's provision against employees benefits (gratuity).

28. DISTRIBUTION COST

	Note	2008 Rupees	2007 Rupees
Salaries and other benefits	(28.1)	1,165,783	1,462,084
Freight and forwarding		148,660	1,183,862
Export development surcharge		12,334	104,458
Other expenses		32,493	314,852
		1,359,270	3,065,256

28.1 Included in salaries, and other benefits is Rupees 222,560 (2007: Rupees 188,939) against the Company's provision against employees benefits (gratuity).

	Note	2008 Rupees	2007 Rupees
29. ADMINISTRATIVE EXPENSES			
Directors' remuneration		3,572,000	2,778,165
Salaries and other benefits	(29.1)	3,817,860	4,282,223
Electricity, gas and water		312,393	308,769
Postage, telephone and telex		886,410	644,692
Rent, rates and taxes		3,277,153	342,554
Insurance		479,795	248,288
Advertisement		41,615	90,642
Travelling and conveyance		71,689	54,221
Auditors' remuneration	(29.2)	240,000	220,000
Legal and professional		96,000	245,191
Fee and subscription		458,765	507,882
Printing and stationery		204,749	183,815
Entertainment		284,957	214,904
Charity and donations	(29.3)	2,500	10,000
Books and periodicals		43,150	31,731
Trade debts written off		138,166	–
Repairs and maintenance		186,194	275,649
Vehicle running and maintenance		892,058	683,560
Depreciation	(16.1.1)	744,846	946,570
Others		172,699	180,753
		15,922,999	12,249,609

29.1 Included in salaries and other benefits is Rupees 261,266 (2007: Rupees 324,539) against the Company's provision against employees benefits (gratuity).

29.2 Auditors' remuneration

	2008	2007
Statutory audit including half yearly review	210,000	200,000
Out of pocket expenses	30,000	20,000
	240,000	220,000

29.3 The directors and their spouses have no interest in donations made by the company in the year.

30. OTHER OPERATING INCOME

	2008	2007
Return on bank deposits	142,427	44,777
Net gain on sale of fixed assets	5,214,708	16,198,995
Sale of scrap	757,885	1,165,575
Creditors written back	–	455,026
	6,115,020	17,864,373

	Note	2008 Rupees	2007 Rupees
31. FINANCE COST			
Interest/mark-up on :			
Finance lease liabilities		24,473,523	24,062,274
Long term financing		21,993,165	22,666,708
Short term borrowings		27,942,197	31,081,989
Bank charges and commission		1,774,122	1,959,075
Exchange loss		3,158,321	843,075
		79,341,328	80,613,121

32. TAXATION

	Note	2008 Rupees	2007 Rupees
Charge for the year			
Current	(32.1)	6,548,504	6,345,598
Deferred	(32.2)	(26,032,922)	2,138,984
		19,484,418	8,484,582

32.1 This represents minimum tax on turnover under Section 113 of Income Tax Ordinance, 2001. No other provision for the current tax is required keeping in view the presumptive and minimum tax. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not meaningful in view of minimum taxation.

32.2 Deferred tax expense relates to origination and reversal of following temporary differences:

	2008 Rupees	2007 Rupees
Tax depreciation allowance	38,186,236	17,643,487
Leased assets	18,023,513	35,444,716
Unapproved gratuity	(467,488)	(149,573)
Unused tax losses	(67,381,167)	(19,640,652)
Finance lease arrangements	(10,418,620)	(27,332,517)
Deferred tax on incremental depreciation	(3,975,396)	(3,826,477)
	(26,032,922)	2,138,984

33. LOSS PER SHARE – BASIC AND DILUTED

		2008	2007
Net loss for the year	Rupees	(34,702,216)	(39,675,417)
Weighted average number of shares	No.	30,131,507	25,755,309
Basic loss per share	Rupees	(1.15)	(1.54)

No figure for diluted earnings per share has been presented as the Company has not issued any instrument carrying options which would have an impact on the basic earnings per share, when exercised.

	Note	2008 Rupees	2007 Rupees

34. CASH GENERATED FROM OPERATIONS

	2008 Rupees	2007 Rupees
Loss before taxation	(54,186,634)	(31,190,835)
Adjustment for non-cash charges and other items:		
Depreciation	66,476,817	69,873,553
Gain on disposal of fixed assets	(5,214,708)	(16,198,995)
Provision for gratuity	2,848,263	1,931,742
Trade debts written off	138,166	–
Exchange loss	3,158,321	843,075
Finance cost	79,341,328	78,926,971
	146,748,187	135,376,346
Profit before working capital changes	92,561,553	104,185,511
Effect on cash flow due to working capital changes		
(Increase)/decrease in current assets:		
Stores and spare parts	(3,253,156)	(281,972)
Stock in trade	(39,817,669)	(14,901,167)
Trade debts	15,853,395	(13,998,948)
Loans and advances	(1,126,449)	2,169,543
Trade deposits and short term prepayments	(408,635)	1,134,960
Tax refunds due from Government	(4,403,457)	2,856,614
Other receivables	(4,994,370)	797,003
Increase / (Decrease) in current liabilities		
Trade and other payables	(10,902,420)	(1,358,784)
	(49,052,761)	(23,582,751)
	43,508,792	80,602,760

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2008			2007		
	Chief Executive	Directors	Executives	Chief Executive	Director	Executives
	Rs.					
Managerial remuneration	554,667	1,826,667	1,018,362	460,989	1,391,120	506,667
Utilities	55,466	182,666	101,851	46,099	139,112	50,667
House rent	221,867	730,667	407,336	184,396	556,446	202,666
	832,000	2,740,000	1,527,549	691,484	2,086,678	760,000
Number of persons	1	2	2	1	2	1

35.1 In addition, the Chief Executive, one director and two executives have been provided with Company maintained cars.

35.2 No fee is paid to the Chief Executive or any director of the Company for attending the meetings.

36. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of directors of the Company and key management personnel. There are no transactions with related parties except those in accordance with the terms of their employment.

37. FINANCIAL INSTRUMENTS

	2008								
	INTREST / MARK-UP BEARING				NON INTREST / MARK-UP BEARING				
	Maturity within one year	Maturity more than one year but less than five years	Maturity more than five years	Sub Total	Maturity within one year	Maturity more than one year but less than five years	Maturity more than five years	Sub Total	Total
	(R u p e e s)								
Financial Assets									
Long term security deposits	–	–	–	–	–	–	3,682,560	3,682,560	3,682,560
Trade debts	–	–	–	–	9,873,063	–	–	9,873,063	9,873,063
Loans and advances	–	–	–	–	341,379	–	–	341,379	341,379
Bank guarantee margin deposit	–	–	–	–	1,467,615	–	–	1,467,615	1,467,615
Other receivables	–	–	–	–	5,995,405	–	–	5,995,405	5,995,405
Cash and bank balances	–	–	–	–	7,901,530	–	–	7,901,530	7,901,530
	–	–	–	–	25,578,992	–	3,682,560	29,261,552	29,261,552
Off balance sheet	–	–	–	–	–	–	–	–	–
Total financial assets	–	–	–	–	25,578,992	–	3,682,560	29,261,552	29,261,552
Financial Liabilities									
Long term financing	19,457,000	243,794,430	–	263,251,430	–	–	–	–	263,251,430
Liabilities against assets subject to finance lease	31,880,995	163,124,781	1,356,030	196,361,806	–	–	–	–	196,361,806
Trade and other payables	–	–	–	–	109,672,977	–	–	109,672,977	109,672,977
Short term borrowings	152,862,180	–	–	152,862,180	–	–	–	–	152,862,180
	204,200,175	406,919,211	1,356,030	612,475,416	109,672,977	–	–	109,672,977	722,148,393
Off balance sheet									
Contingencies	4,201,329	–	–	4,201,329	–	–	–	–	4,201,329
Commitments for capital expenditure	–	–	–	–	–	–	–	–	–
Other commitments	–	–	–	–	8,889,805	33,660,425	–	42,550,230	42,550,230
	4,201,329	–	–	4,201,329	8,889,805	33,660,425	–	42,550,230	46,751,559
Total financial liabilities	208,401,504	406,919,211	1,356,030	616,676,745	118,562,782	33,660,425	–	152,223,207	768,899,952

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

	2007								
	INTREST / MARK-UP BEARING				NON INTREST / MARK-UP BEARING				Total
	Maturity within one year	Maturity more than one year but less than five years	Maturity more than five years	Sub Total	Maturity within one year	Maturity more than one year but less than five years	Maturity more than five years	Sub Total	
	-- (R u p e e s) --								
Financial Security Assets									
Long term security deposits	–	–	–	–	–	–	3,682,560	3,682,560	3,682,560
Trade debts	–	–	–	–	25,864,624	–	–	25,864,624	25,864,624
Loans and advances	–	–	–	–	260,433	–	–	260,433	260,433
Bank guarantee margin deposit	–	–	–	–	1,277,245	–	–	1,277,245	1,277,245
Other receivables	–	–	–	–	1,001,035	–	–	1,001,035	1,001,035
Cash and bank balances	2,339,360	–	–	2,339,360	2,622,585	–	–	2,622,585	4,961,945
	2,339,360	–	–	2,339,360	31,025,922	–	3,682,560	34,708,482	37,047,842
Off balance sheet	–	–	–	–	–	–	–	–	–
Total financial assets	2,339,360	–	–	2,339,360	31,025,922	–	3,682,560	34,708,482	37,047,842
Financial Liabilities									
Long term financing	25,537,500	145,520,000	–	171,057,500	–	–	–	–	171,057,500
Liabilities against assets subject to finance lease	43,094,806	153,146,797	–	–	–	–	–	–	196,241,603
Trade and other payables	–	–	–	196,241,603	126,443,644	–	–	126,443,644	126,443,644
Short term borrowings	88,608,213	–	–	88,608,213	11,500,000	–	–	11,500,000	100,108,213
	157,240,519	298,666,797	–	455,907,316	137,943,644	–	–	137,943,644	593,850,960
Off balance sheet									
Contingencies	22,143,290	–	–	22,143,292	–	–	–	–	22,143,290
Commitments for capital expenditure	36,000,000	–	–	36,000,000	–	–	–	–	36,000,000
Other commitments	–	–	–	–	–	–	–	–	–
	58,143,290	–	–	58,143,290	–	–	–	–	58,143,290
Total financial liabilities	215,383,809	298,666,797	–	514,050,606	137,943,644	–	–	137,943,644	651,994,250

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

37.1 Financial Instruments and Risk Management Policies

Financial instruments such as trade receivables and trade payables arise directly from the Company's operation. The Company finances its operations primarily by a mixture of long term and short term loans and liabilities against assets subject to finance lease. The Company borrows funds in local and foreign currency usually at floating rate of interest. The main risks arising from the Company's financial instruments are cash flow interest rate risk, fair value interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks.

Overall risks arising from the Company's financial assets and liabilities are limited. The Company manages its exposure to financial risk in the following manner:

(a) Interest Rate Risk

Interest rate risk is the risk that the values of financial instruments will fluctuate due to changes in market interest rates. The Company is exposed to interest rates risk as mark up on long term borrowings, short term borrowings and lease obligations are linked with KIBOR and no cap has been contracted to mitigate such risk. The financial instruments subject to interest rate risk are disclosed in Note 37.

(b) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company has no significant transaction in foreign currency therefore, it is not exposed to credit risk.

(c) Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and its bank balances. The Company deals mostly with regular and permanent customers who pay the instrument on due dates. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit rating. Out of total financial assets of Rupees 29,261,552 (2007: Rupees 41,033,407), the financial assets which are subject to credit risk amounted to Rupees 16,209,847 (2007: Rupees 27,126,092). The Company believes that it is not exposed to major concentration of credit risk.

(d) Liquidity risk

Liquidity risk reflects an enterprise inability to raise liquid funds to meet commitments. The Company follows an effective cash management policy and timely renews their contracts with financial institutions to ensure continuity of committed credit lines.

(e) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 30% and 40%.

	2008 Rupees	2007 Rupees
Loan and borrowing	263,251,430	171,057,500
Less Cash	(3,950,639)	(4,961,945)
Net debt	259,300,791	166,095,555
Equity	395,068,807	382,729,909
Capital and net debt	654,369,598	548,825,464
Gearing Ratio	39.63	32.26

37.2 Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values as they are short term in nature and are frequently repriced.

38. PLANT CAPACITY AND ACTUAL PRODUCTION

		2008	2007
Spindles installed / worked	Nos.	38,448	38,448
Production at normal capacity in 20/s count Based on 3 shifts per day	Kgs.	14,102,609	14,102,609
Actual production converted to 20/s count based on 3 shifts per day	Kgs.	12,437,813	12,910,117

38.1 Reason for low production

Under utilization of available capacity is due to normal maintenance down time and change over in production mix.

39. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by Board of Directors of the Company on 10 October 2008.

40. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, wherever necessary, for the purpose of comparison, however, no significant reclassification has been made.

41. GENERAL

Figures have been rounded off to the nearest rupees.

(CHIEF EXECUTIVE) (DIRECTOR)

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2009

No. of Shareholders	----- Shareholding ----- From	To	Total Shares Held
2	1	100	26
38	101	500	18667
4	501	1000	3334
14	1001	5000	32807
1	5001	10000	6300
1	15001	20000	19300
1	25001	30000	29100
3	30001	35000	100500
2	35001	40000	72000
2	40001	45000	89450
1	65001	70000	66000
3	70001	75000	214800
4	85001	90000	346000
2	140001	145000	284400
1	145001	150000	150000
1	165001	170000	168350
1	210001	215000	212405
1	215001	220000	218795
1	250001	255000	254711
1	465001	470000	465175
1	485001	490000	487100
1	735001	740000	738350
1	750001	755000	751998
1	795001	800000	798800
1	815001	820000	820000
1	875001	880000	876400
1	1010001	1015000	1010600
1	1150001	1155000	1150765
1	1210001	1215000	1213896
1	1245001	1250000	1248129
1	2015001	2020000	2015420
1	2200001	2205000	2204040
1	2265001	2270000	2269560
1	3045001	3050000	3045023
1	3295001	3300000	3299913
1	4175001	4180000	4178465
1	7135001	7140000	7139421
101			36000000

Categories of Shareholders	Number	Shares Held	% age
Individuals	85	15,785,425	43,8484
Chief Executive Officer, Director, their Spouse and Minor Children	12	18,906,475	52.5180
Bank, DFIs, NBFI, etc.	1	876,400	2.4344
National Bank of Pakistan (NIT)	2	431,200	1.1978
Public Sector Companies and Corporation	1	500	0.004
Total	101	36,000,000	100.000

CATEGORIES OF SHAREHOLDRES REQUIRED UNDER C.C.G.
AS AT JUNE 30, 2009

Category No.	Categories of Share Holders	Number of Shares Held	Number of Share Holders	Percentage
1.	**Individuals**	15,785,425	85	43,8484
2.	**Chief Executive Officer, Directors, their Spouse s and Minor Children**	18,906,475	12	52.5180
	Ch. Mohammad Khurshid	2,204,040		6,1223
	Ch. Muhammad Khurshid (CDC)	2,015,420		5.5984
	Ch. Rehman Bakhsh	3,299,913		9.1664
	Ms. Kiran A. Chaudhry	2,269,560		6.3043
	Ms. Kiran A. Chaudhry (CDC)	820,000		2.2778
	Mr. Muhammad Ali Chaudhry	168,350		0.4676
	Mrs. Salma Aziz	1,010,600		2.8072
	Mrs. Salma Aziz (CDC)	1,248,129		3.4670
	Mr. Azhar Khurshid Ch.	751,998		2.0889
	Mr. Kamran Ilyas	4,178, 465		11.6068
	Mrs. Razia Sultana Begum	141,200		0.3922
	Mrs. Razia Sultana Begum (CDC)	798,800		2.2189
3.	**National Bank of Pakistan (NIT)**	431,200	2	1.1978
4.	**Banks, DFIs, NBFIs, etc.**	876,400	1	2.4344
5.	**Public Sector Companies & Corporation**	500	1	0.0014
	Total	**36,000,000**	**101**	**100.0000**
	Others above 10% Share Holding	15,537,346	3	43,1593

FORM OF PROXY

Folio No. ______________________

No. of Shares Held ______________

The Company Secretary,
Resham Textile Industries Limited,
314-Upper Mall,
Lahore.

I/We ____

of ____ (full address)

Being a member of RESHAM TEXTILE INDUSTRIES LIMITED hereby appoint

____
(Name)

of ____ (full address)

as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 20th Annual General Meeting of Share Holders of the Company to be held on Friday, 31st October 2009 at 11.00 a.m. and at any adjournment thereof.

Signed this ______________________________ day of ____________________ 2009.

____
(Signature should agree with the specimen signature registered with the Company)

In the presence of witness :

Revenue Stamp

Name ________________________________

Signature ____________________________

Address ____

IMPORTANT :

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Company's Head Office at least 48 hours before the time of holding the meeting.

2. The instrument appointing a proxy should be signed by the member or by his/her attorney duly authorised in writing. If the member is a corporation, its Common Seal should be affixed to the instruments.