

Done



*Ruby Textile Mills
Limited*

Annual Report

2009



To transform the company into a modern and dynamic Textile products manufacturing company and to provide quality products to customers and explore new markets to promote/expand sales of the Company through Good Governance and foster a sound and dynamic team, so as to achieve optimum profitability for the Company for sustainable and equitable growth and prosperity of the Company, its employees and shareholders.

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BOARD OF DIRECTORS

Chairman and Chief Executive:
MR. NOOR ELAHI

Directors:

MRS. PARVEEN ELAHI
MRS. NAHEED JAVED
MR. NABEEL JAVED
MR. JAVED USMAN
MR. IKRAM ELAHI
MR. MANSOOB A. AKHTAR (NIT NOMINEE)

COMPANY SECRETARY

MR. ASIF PERVAIZ KHAWAJA

AUDIT COMMITTEE

MR. JAVED USMAN -CHAIRMAN
MR. NABEEL JAVED -MEMBER
MR. IKRAM ELAHI -MEMBER

BANKERS

M/S. STANDARD CHARTERED
M/S. BANK AL-HABIB LIMITED
M/S. HABIB METROPOLITAN BANK LTD.
M/S. NATIONAL BANK OF PAKISTAN
M/S. SONERI BANK LTD.
M/S. SILK BANK LTD.
M/S. FAYSAL BANK LTD.
M/S. MUSLIM COMMERCIAL BANK LTD.

AUDITORS

M/S. MUSHTAQ & CO.,
Chartered Accountants,
Room #.407-Commerce Centre,
4th Floor, Hasrat Mohani Road,
Karachi-74200

LEGAL ADVISOR

M/S. ALI SIBTAIN FAZLI & ASSOCIATES
Mall Mentions, 30 - The Mall
Lahore-54000

HEAD OFFICE

35-Industrial Area, Gulberg-III, Lahore.
Phone: (+92-42) 3576-1243, 3576-1244
Fax: (+92-42) 3576-1222, 3571-1400
Email: rtm@wol.net.pk

REGISTERED OFFICE

Room #.203-Faiyaz Centre, 2nd Floor, 3-A,
S.M.C.H.S., Shahrah-e-Faisal, Karachi-74400.
Phone: (+92-21) 34396600, 34387700
Fax: (+92-21) 34398800
Email: rtm@khi.wol.net.pk

MILLS

Raiwind-Manga Road,
Raiwind, District Kasur.
Phone: (+92-42) 3539-1031, 3539-2651, 3539-2652
Fax: (+92-42) 3539-1032
Email: rtml@lhr.wol.net.pk

SHARE REGISTRAR

M/S. CORPLINK (PRIVATE) LIMITED
1-K, (Commercial) Wings Arcade,
Model Town, Lahore.
Phone: (+92-42) 3583-9182, 3588-7262
Fax: (+92-42) 3586-9037

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 29th Annual general Meeting of the shareholders of RUBY TEXTILE MILLS LIMITED will be held at Registered Office of the company at 203-Faiyaz Centre, 3-A Sindhi Muslim Cooperative Housing Society, Shahrah-e-Faisal, Karachi on Thursday 29th October 2009 at 6.30 pm to transact the following business:

ORDINARY BUSINESS:

1. To consider minutes of Annual General Meeting held on 30th October, 2008.
2. To receive, consider and adopt the Audited Annual accounts together with Director's and Auditor's report thereon for the period ended 30th June 2009.
3. To appoint auditors for the next financial year and fix their remuneration. The present auditors, M/s. Mushtaq & Company, Chartered Accountants retire and being eligible offers themselves for re-appointment.
4. To transact any other business with the permission of the chair.

LAHORE
06th October 2009

Asif Pervaiz Kha waja,
Company Secretary.

NOTICE:

1. The Share transfer Books of the Company will remain closed from 22nd October, 2009 to 29th October, 2009.
2. A member entitled to attend and vote may appoint another member of his/her proxy to attend the meeting and vote on his /her behalf. Proxy in order to be effected must be received at registered office of the Company at least 48 hours before the meeting.
3. CDC shares holders are requested to bring with them their original N.I.C. or passport along-with participant's ID number and their account number at the time of Annual general meeting in order to facilitate identification and in case of proxy must enclose an attested copy of NIC or passport along with CDC account number. Representative of corporate members should bring the usual documents required for this purpose.
4. Share holders are requested to immediately notify any change in their address to Company's Share Registrar Corplink (Private) Limited, Wings Arcade, 1-K, (Commercial) Model Town, Lahore.

DIRECTORS REPORT

The Directors of your company are pleased to present their 29th Annual Report together with the Company's Audited Accounts for the year ended 30th June, 2009.

General Market Conditions

Market conditions have deteriorated and this has coincided with inflationary pressure of the cost side. As a whole in recent past, textile industry is striving for its survival hard for its existence, but unfortunately, lacks Government's support. Despite of many drastic steps in order to stabilize the economy nothing noticeable is done for textile sector which is the major source of earning foreign exchange and employment for the country. One of the major reasons for losses is high price of cotton whereas the yarn prices in the local and export markets have not reflected proportionately. Our domestic customers are the weavers and knitters who are also sitting idle because of lack of orders from their customers and current power shortage problem due to which many of the knitting units have been closed. In the export markets we have to sell at lower prices to compete with other countries, because the cost of utilities is much lower then in our Country. At present Pakistan is facing bad political and law & order situation which is causing international buyers to change their priorities to other markets i.e. Bangladesh, India and China

The following conditions have prevailed since the start of current fiscal year causing an adverse impact on your Company's performance.

- An Increase in the cost of inputs caused by the elevated prices of petroleum products
- Bearish sentiments dominating the market for cotton yarn
- Higher borrowing cost due to high KIBOR rates during the year
- Increase in Electricity and Gas prices
- Power and Gas shortage which caused our plant to remain shutdown during the year time to time which put adverse affect on production of yarn.

Future Outlook

Management of the company is expecting to grow its strength in the local as well as in the foreign markets, because there are very few tailor made coarse count manufacturing units having utmost versatility. In this tough operating environment, the mission before your Company's management is to minimize the adverse impact of depressed market and economic conditions. In the absence of any positive external factors our operating results are unlikely to improve.

We hope that current expected bumper crop of cotton and positive trend of yarn selling rates both in local and export market will increase the earning positively. Management is planning to specializing itself for specific market, this will able earn premium and will add value to the company.

Directors of the company have injected long term interest free loan amounting Rs.61.44 million during the current year in order to run business smoothly in current financial year.

**Operating Results**

The financial results are summarized here under

	2009	2008
	Rupees	Rupees
Sales	856,601,896	1,081,060,377
Gross Profit	26,507,967	51,985,375
Admin and Distribution Charges	(30,304,130)	(28,753,780)
Financial Charges	(104,719,654)	(78,851,910)
Profit/ (Loss) Before Tax	(106,991,198)	(52,655,291)
Provision for Taxation	7,050,511	(2,119,387)
(Loss) after Taxation	(99,940,687)	(56,097,879)

Sales of the company have decreased to Rs. 856.60 million from Rs. 1,081.06 million showing decrease of 21 % over last year. Powers and Gas shortage in the country caused our plant to remain shutdown during winter season for almost 2 months which caused less production and ultimately reduction of sales for the year. Gross profit has also showed decrease from 4.81% to 3.09%. Administrative expenses have decreased by Rs.0.89 million whereas Distribution cost of the company is increased by Rs. 2.44 million. Financial cost of the company is increased by Rs. 25.88 million as compare to last year. This increase is mainly due to increase in mark up rates on long and short term loans.

Auditors Report

The auditors have expressed unqualified opinion in their report.

Earning Per Share

Earning per share for the year amounted to Rs. (2.55) as against earning per share of Rs. (2.76) for the corresponding year.

Related Parties

The Board of Directors has approved the policy for transaction/contract between Company and its related parties on an arms length basis and relevant rates are to be determined as per the comparable un-controlled price method.

**Corporate And Financial Reporting Framework**
(Code of Corporate Governance)

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

Proper Books of Accounts have been maintained.

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

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

The system of Internal Control is sound in design and has been effectively implemented and monitored.

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

There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

Significant deviations from last year in operating results of the results of the Company and reasons thereof have been explained.

There are no outstanding statutory payments on accounts of taxes, duties, levies and charges except as shown in notes to the accounts. The amounts appearing in the accounts are of routine nature and some of these have been paid in next year while others are adjustable against receivables in the subsequent period subject to approval by authorities.

There are no significant plans for corporate restructuring, business expansion and discontinuation of operation except for improvement in the normal business activities to increase the business.

The Company is operating an unfunded Gratuity Scheme funds of which are retained for business of the Company.

Five meeting of the Board of Directors of the company during the year under review were held and were attended as follows:

Mr. Noor Elahi	5
Mrs. Parveen Elahi	5
Mrs. Naheed Javed	3
Mr. Javed Usman	1
Mr. Mansoob A. Akhtar	5
Mr. Ikram Elahi	1
Mr. Nabeel Javed	4

**Audit Committee**

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee. The name of its members is given in the Company's profile.

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

Auditors

The present auditors, M/S. Mushtaq & Co, Chartered Accountants retire and being eligible has offered themselves for re-appointment.

Pattern of Shareholding

Statement showing pattern of holding of shares as on 30th June, 2009 on prescribed format is annexed to this report.

Acknowledgements

We record our admiration of the services of our employees and workers of the Company who have contributed their best possible talents and believe that the same spirit of devotion will continue in future. We wish to thank our banks and shareholders for their continued support and confidence on the Company.

The key operating and financial data for the last six years is annexed.

For and on behalf of the Board of Directors

LAHORE
October 06, 2009

(NOORELAHI)
CHAIRMAN/CHIEF EXECUTIVE

**FORM 34**

Pattern of holding of the shares held by the shareholders as at 30th June, 2008

No. of Shareholders	—Shareholding—		Total Shares Held
	From	To	
35	1	100	3,357
735	101	500	355,065
34	501	1000	35,575
31	1001	5000	64,500
2	5001	10000	14,900
1	10001	15000	12,200
1	55001	60000	56,000
1	75001	80000	80,000
1	85001	90000	88,300
1	95001	100000	100,000
1	155001	160000	159,600
1	295001	300000	300,000
1	610001	615000	610,664
1	625001	630000	629,036
1	3870001	3875000	3,873,500
1	6495001	6500000	6,500,000
1	8655001	8660000	8,655,900
1	17660001	17665000	17,661,400
850		TOTAL	39,200,000

Categories of shareholder	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	30,218,300	77.0875%
Associated Companies, undertakings and related Parties.	6,900,500	17.6033%
N.I.T. And I.C.P.	1,242,900	3.1707%
Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
Insurance Companies	0	0.0000%
Modarabas and Mutual Funds	0	0.0000%
Share holders holding 10% General Public	32,842,600	83.7821%
a. Local	833,800	2.1270%
Others (to be specified)		
Joint Stock Companies	4,500	0.0115%



**CATEGORIES OF SHARES HOLDER AS REQUIRED UNDER C.CG
AS ON 30th JUNE 2008**

NAME	HOLDING	
HOLDING ASSOCIATED COMPANIES		
Naheed Noor Enterprises Ltd	30,000	0.7653
Naheed Noor (Pvt.) Ltd	100,500	0.2564
Sunrise bottling co. (Pvt.) Ltd	6,500,000	16.5816
	<u>6,900,500</u>	<u>17.6033</u>
NIT & ICP		
Investment Corporation of Pakistan	3,200	0.0082
National Bank of Pakistan trustee Deptt. (CDC)	629,036	1.6047
National Bank of Pakistan trustee Deptt. (CDC)	610,664	15578
	<u>1,243,400</u>	<u>3.1719</u>
DIRECTORS, CEO, THEIR SPOUSE & MINOR CHILDREN		
Mr. Noor Elahi	17,661,400	45.0546
Mr. Noor Elahi (CDC)	13,100	0.0334
Mrs. Parveen Elahi	8,655,900	22.0814
Mrs. Parveen Elahi (CDC)	12,200	0.0311
Mrs. Naheed Javed	3,873,500	9.8814
Mrs. Naheed Javed (CDC)	200	0.0005
Mr. Nabeel Javeed	1,000	0.0026
Mr. Ikram Elahi	500	0.0013
Mr. Javed Usman	500	0.0013
Mr. Mansoob A. Akhtar (NIT NOMINEE)	-	
	<u>30,218,300</u>	<u>77.0875</u>
PUBLIC SECTOR COMPANIES & CORPORATION		
Adam Lubricant Ltd	500	0.0013
Baba Securities (Pvt.) Ltd (CDC)	300	0.0008
Mismaniar Financials (Pvt.) Ltd. (CDC)	3,400	0.0087
STOCK Master Securities (Pvt.) Ltd. (CDC)	300	0.0008
	<u>4,500</u>	<u>0.0115</u>
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS INSURANCE MODARABA INVESTMENT COMPANIES		
	-	-
	-	-
	-	-
	-	-
SHARES HELD BY THE GENERAL PUBLIC	833,800	2.127
	<u>39,200,000</u>	<u>100</u>
SHARE HOLDER HOLDING 10% OR MORE OF TOTAL CAPITAL		
Mr. Noor Elahi (C.E.O)	17,674,500	45.09
Mrs. Parveen Elahi	8,668,100	22.11
Sunrise Bottling Co. (Pvt.) Ltd	6,500,000	16.58
	<u>32,842,600</u>	<u>83.78</u>



**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
YEAR ENDED JUNE 30,2009**

This statement is being presented to comply with the Code of Corporate Governance contained in the regulation no 37 chapter XI of listing regulations of Karachi and chapter XIII of Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests in its Board of Directors. At present the Board includes four non-executive and one directors representing minority interest shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. There was no casual vacancy in the Board during the period.
5. The company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken up by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the board met at least once in every quarter. Written notices of Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The board arranged an orientation course for its directors to apprise them of their duties and responsibilities. More courses will follow in future.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



- 12 The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
- 13 The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 14 The Company has complied with all the corporate and financial reporting requirements of the code.
- 15 The Board has formed an audit committee. It comprises three members, of whom all are non-executive directors including the Chairman of the committee.
- 16 The meetings of audit committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17 The Board has outsourced the internal audit function to M/S Fazal Mahmood and Co, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and the procedures of the company and they (or their representatives) are involved in the internal audit functions on a full time basis.
- 18 The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan and they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).
- 19 The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20 We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Lahore
06-Oct, 2009

(NOORELAHI)
Chairman/Chief Executive
NIC No: 35202-2751024-3

REVIEW REPORT TO THE MEMBERS

On the Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Ruby Textile Mills Limited** to comply with the Listing Regulation No. 35 (previously Regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of Lahore Stock Exchange (Guarantee) Limited where the company is listed.

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

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

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

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

Karachi:
06th-Oct, 2009

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:

AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

Karachi:
06th-Oct, 2009

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:

BALANCE SHEET

EQUITY AND LIABILITIES	Note	2009 Rupees	2008 Rupees
SHARE CAPITAL AND RESERVES			
Authorized Capital 40,000,000 (2008 : 40,000,000) Ordinary shares of Rs. 10 each			200,000,000
Issued, subscribed and paid up capital	5		392,000,000
Capital reserves	6		3,240,000
Accumulated loss			(194,166,831)
			<u>201,073,169</u>
Surplus on revaluation of property, plant and equipment	7		424,513,650
NON CURRENT LIABILITIES			
Long term financing	8		359,097,588
Liabilities against assets subject to finance lease	9		1,212,091
Deferred liabilities	10		27,867,576
CURRENT LIABILITIES			
Trade and other payables	11		125,152,811
Accrued mark up	12		21,060,703
Short term borrowings	13		255,548,465
<i>Current portion of</i>			
Long term financing	8		86,337,749
Liabilities against assets subject to finance lease	9		1,448,007
Provision for taxation	14		5,405,302
			<u>494,953,037</u>
CONTINGENCIES AND COMMITMENTS	15		
TOTAL EQUITY AND LIABILITIES			<u><u>1,508,717,111</u></u>

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

NOOR ELAHI
CHIEF EXECUTIVE



AS AT JUNE 30, 2009

ASSETS	Note	2009 Rupees	2008 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	16	1,103,326,998	1,148,843,161
Long term deposits	17	404,450	404,450
CURRENT ASSETS			
Stores, spare parts and loose tools	18	55,772,890	46,770,670
Stock in trade	19	223,720,815	198,686,894
Trade debts	20	17,775,368	34,215,381
Loans and advances	21	46,403,301	54,797,401
Trade deposits and short term prepayments	22	7,306,451	7,333,882
Other receivables	23	15,061,359	15,131,108
Cash and bank balances	24	954,472	2,534,164
		366,994,656	359,469,500
TOTAL ASSETS		<u>1,470,726,103</u>	<u>1,508,717,111</u>

**PARVEEN ELAHI
DIRECTOR**

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

	Note	2009 Rupees	2008 Rupees
Sales	25	856,601,896	1,081,060,377
Cost of sales	26	(894,093,929)	(1,029,102,002)
Gross profit		36,507,967	51,958,375
Other operating income	27	2,764,212	3,105,170
Distribution cost	28	(15,598,670)	(13,155,481)
Administrative expenses	29	(14,795,461)	(15,598,299)
Other operating expenses	30	(1,239,593)	(1,436,347)
Finance cost	31	(104,719,654)	(78,851,910)
Loss before taxation		(106,991,198)	(53,978,492)
Taxation	32	7,050,511	(2,119,387)
Net loss for the year		(99,940,687)	(56,097,879)
Earning per share	33	(2.55)	(2.76)

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

NOOR ELAHI
CHIEF EXECUTIVE

PARVEEN ELAHI
DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	34	27,892,118	(8,935,227)
Finance cost paid		(78,085,488)	(78,085,488)
Income tax paid		(4,382,793)	(4,382,793)
Staff retirement benefits - gratuity paid		(3,141,033)	(3,141,033)
Net cash flow from operating activities		(58,001,717)	(94,544,241)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(6,073,748)	(72,300,693)
Proceeds from sale of property, plant and equipment		870,800	860,000
Long term deposits		-	(85,000)
Net cash flow from investing activities		(5,202,948)	(71,525,693)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finance - net		153,145,298	74,541,366
Repayment of finance lease liability		(1,395,410)	(905,163)
Net cash flow from financing activities		151,749,888	73,636,203
Net (decrease) / increase in cash and cash equivalents		52,853,777	(92,433,731)
Cash and cash equivalents at the beginning of the year		(153,014,301)	(161,257,787)
Exchange gain		238,238	677,217
Cash and cash equivalents at the end of the year		(159,922,286)	(253,014,301)
Cash and cash equivalents			
Cash and bank balances	24	954,472	2,534,164
Short term borrowings	13	(200,377,308)	(255,548,465)
		(199,322,836)	(253,014,301)

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

NOOR ELAHI
CHIEF EXECUTIVE

PARVEEN ELAHI
DIRECTOR

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

	Share capital	Capital reserves	Accumulated loss	Total
	-----Rupees-----			
Balance as at June 30, 2007	196,000,000	3,240,000	(152,372,156)	46,867,844
Issue of 19,600,000 ordinary shares of Rs. 10 each fully paid in cash	196,000,000	-	-	196,000,000
Loss for the year - restated (note - 30.1)	-	-	(56,097,879)	(56,097,879)
Surplus realized on disposal of property, plant and equipment - net of tax	-	-	1,323,201	1,323,201
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred taxation	-	-	12,980,003	12,980,003
Balance as at June 30, 2008	392,000,000	3,240,000	(194,166,831)	201,073,169
Loss for the year	-	-	(99,940,687)	(99,940,687)
Surplus realized on disposal of property, plant and equipment - net of tax	-	-	867,896	867,896
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred taxation	-	-	8,677,158	8,677,158
Balance as at June 30, 2009	392,000,000	3,240,000	(284,562,464)	110,677,536

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

NOOR ELAHI
CHIEF EXECUTIVE

PARVEEN ELAHI
DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

1 LEGAL STATUS AND NATURE OF BUSINESS

The company was incorporated in Pakistan on October 18, 1980 as a private limited company and was subsequently converted into public limited company. The registered office of the company is located at 3-A, SMC Housing Society, Shara-e-Faisal, Karachi. The shares of the company are quoted on the Karachi and Lahore stock exchanges. The principal business of the company is manufacturing and sale of yarn. The manufacturing units are located at Manga Road, Raiwind in the province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the company's functional currency.

2.3 Standards, interpretations and amendments to published approved accounting standards

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

- IFRS - 7 Financial Instruments : Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS - 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosures requirements of IAS - 32 Financial Instruments : Disclosure and Presentation. The application of the standard did not have significant impact on the company's financial statements other than increase in disclosures.
- IAS - 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The company does not have any operations in hyperinflationary economies and therefore the application of the standard did not affect the company's financial statements.
- IFRIC - 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operates or otherwise participate in customer loyalty programmes under which the customer can redeem credit for award such as free or discounted goods or services. The application of IFRIC - 13 did not affect the company's financial statements.
- IFRIC - 14, IAS - 19 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 01 January 01 2008). IFRIC - 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The interpretation has no effect on company's financial statements.

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

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

- Revised IAS - 1 Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.
- Revised IAS - 23 Borrowing Costs (effective for annual periods beginning on or after 01 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that asset. The application of the standard is not likely to have an effect on the company's financial statements.
- Amended IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transactions. When the group loses controls of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the company's financial statements.
- IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost methods from IAS - 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on company's financial statements.
- Amendments to IAS - 32 Financial Instruments : Presentation and IAS - 1 Presentation of Financial Statements (effective for annual period beginning on after 01 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidations requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which requires retrospective application, or not expected to have any impact on the company's financial statements.
- Amendment to IAS - 39 Financial Instruments : Recognition and Measurement - Eligible hedged items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the company's financial statements.
- Amendments to IAS - 39 and IFRIC - 9 Embedded derivatives (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on company's financial statements.
- Amendment to IFRS - 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the company's financial statements.



- Amendment to IFRS - 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 01 January 2010). Currently effective IFRS requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transactions to account for the transaction in its separate or individual financial statements.
- Revised IFRS - 3 Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the company's financial statements.
- IFRS - 4 Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the company's operations.
- Amendment to IFRS - 7 Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). These amendments have been made to bring the disclosure requirements of IFRS - 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.
- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the company's 2010 financial statements. These amendments are unlikely to have an impact on the company's financial statements.
- The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the company's 2010 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.
- IFRS - 8 Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the "management approach" to segment reporting. IFRS - 8 will require a change in the presentation and disclosure of segment information based on the internal reports that a regularly reviewed by the company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them.
- IFRIC - 15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The IFRIC is not relevant to the company's operations.
- IFRIC - 16 Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit



or loss on disposal of a net investment as if the direct method of consolidation had been used. The IFRIC is not relevant to the company's operations.

- IFRIC - 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the company's financial statements.
- IFRIC - 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the company's operations.

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except to the extent that certain items of property, plant and equipment have been stated at revalued amount, staff retirement benefits which are recognized at present value and revaluation of certain financial instruments which are stated at fair value.

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

3.1 Provision for taxation

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

3.2 Staff retirement benefits - gratuity

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

3.3 Financial instrument

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

**3.4 Property, plant and equipment**

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

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

- 3.5.1 Provision for doubtful debts
- 3.5.2 Estimation of net realizable value
- 3.5.3 Computation of deferred taxation
- 3.5.4 Disclosure of contingencie

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Staff retirement benefits**Defined benefit plan**

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

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

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

4.2 Taxation

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

4.2.1 Current

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

4.2.2 Deferred

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

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



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

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

4.3 Trade and other payable

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

4.4 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made of the amount of obligation.

4.5 Borrowings and borrowing costs

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

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

4.6 Property, plant and equipment - owned

Recognition

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

Subsequent cost 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.

Depreciation

Depreciation on all items of property, plant and equipment except for freehold land is charged to income applying the reducing balance method using the rates specified in note 16.1. An amount equal to incremental depreciation (net of deferred tax) charged during the year on revalued amounts of property, plant and equipment has been transferred from surplus on revaluation of property, plant and equipment to accumulated profit / (loss) through statement of changes in equity.

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

Derecognition

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



4.7 Capital work in progress

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

4.8 Accounting for leases and assets subject to finance lease

4.8.1 Finance lease

Recognition

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

Financial charges

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

Depreciation

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

Deferred income

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

Operating lease

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

4.9 Stores, spare parts and loose tools

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

4.10 Stock in trade

These are valued at lower of cost and net realizable value except stock in transit which are valued at cost comprising invoice values plus other charges incurred up to the balance sheet date. Cost is determined as under.

Raw material	Weighted average cost
Packing material	Moving average cost
Work in process and finished goods	Raw material cost plus a proportionate manufacturing overheads
Waste	Net realizable value

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

**4.11 Trade debts and other receivables**

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

4.12 Cash and cash equivalents

For the purpose of cash flow statements, cash and cash equivalent comprise cash in hand, with banks on current and saving accounts and short term borrowings.

4.13 Foreign currency transactions

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

4.14 Revenue recognition

Sales are recorded on dispatch of goods to the customers.

Return on deposits with banks is recognized on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Dividend is recognized as income when the right to receive dividend is established.

4.15 Financial instruments

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

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

4.16 Off setting of financial assets and liabilities

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

**4.17 Impairment**

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

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

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

4.18 Related party transactions

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

4.19 Dividend

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

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2009	2008		2009	2008
Number of shares		Rupees.....	
[REDACTED]	39,200,000	Ordinary shares of Rs. 10 each fully paid in cash	[REDACTED]	392,000,000
	<u>39,200,000</u>		[REDACTED]	<u>392,000,000</u>

5.1 Reconciliation of number of ordinary shares of Rs. 10 each fully paid in cash

	Number of shares
At the beginning of the year	[REDACTED] 19,600,000
Issued during the year	[REDACTED] 19,600,000
At the end of the year	<u>[REDACTED] 39,200,000</u>

5.2 Ordinary shares of the company held by the associated companies at the year end are as follows.

Associated companies	Number of shares
Naheed Noor Enterprises Limited	[REDACTED] 300,000
Naheed Noor (Pvt) Limited	[REDACTED] 100,500
Sunrise Bottling Company (Pvt) Limited	[REDACTED] 6,500,000
	<u>[REDACTED] 6,900,500</u>

5.3 The shareholders' are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the company. All shares carry 'one vote' per share with out restriction.

6 CAPITAL RESERVES

	2009	2008
Rupees.....	
Special National Fund Bonds (SNFB)	[REDACTED]	3,240,000

6.1 The balance on this account represents reserves created on acquisition of special national fund bonds.

7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This represents surplus over book values resulting from revaluation of property, plant & equipment carried out on June 30, 2008 (previously these were revalued on September 30, 2001 and September 30, 2004), adjusted by surplus realized on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation.



	2009Rupees.....	2008
Surplus on revaluation at the beginning of the year		455,278,428
Addition during the year		135,175,578
Transfer to unappropriated profit in respect of:		
Incremental depreciation		12,980,003
Disposal of property plant of equipment		1,323,201
Related deferred tax liability		7,701,725
		<u>22,004,929</u>
Surplus on revaluation of property, plant and equipment at the end of the year		<u>568,449,077</u>
Related deferred tax liabilities on:		
Revaluation at the beginning of the year		140,497,675
Provided during the year		11,139,477
Incremental depreciation on revalued assets		(6,989,232)
Disposal of property, plant and equipment		(712,493)
		<u>143,935,427</u>
		<u>424,513,650</u>

7.1 Depreciation attributable to incremental value arising due to revaluation of property, plant & equipment is Adjusted against the surplus arising due to revaluation of property, plant and equipment and charged to accumulated profit / (loss) through statement of changes in equity.

	Note	2009Rupees.....	2008
8 LONG TERM FINANCING			
Secured - from banking companies			
Bank Al Habib Limited			
Term Finance-I	8.1		1,974,750
Term Finance-II	8.2		24,575,834
Term Finance-III	8.3		12,250,000
Term Finance-IV	8.4		4,590,835
Term Finance	8.5		-
Habib Metropolitan Bank Limited			
Term finance-I	8.6		18,054,000
Term finance-II	8.7		261,104,000
Term Finance-III	8.8		14,583,330
Term Finance	8.9		-
			<u>337,112,749</u>
Current portion			<u>(86,337,749)</u>
			<u>250,775,000</u>
Unsecured - related parties			
Directors	8.10		95,184,738
Associated companies	8.10		13,137,850
			<u>108,322,588</u>
			<u>359,097,588</u>



- 8.1 The term finance is obtained for import of plant and machinery. The loan is subject to mark up at the rate of 1.5 percent per annum above six month KIBOR with a floor of 8.5 percent per annum (2008 : 1.5 percent above six months KIBOR with floor of 8.5 percent per annum). The loan is repayable in 16 equal installments payable quarterly commenced from August 06, 2004. It is secured against first registered charge over all present and future fixed assets of the company, hypothecation of stocks and book debts, pledge of raw cotton, lien over export bills sent for collection against confirmed letter of credit and personal guarantees of the chief executive.
- 8.2 The term finance is obtained for purchase of plant and machinery. The loan is subject to mark up at the rate of 2.5 percent per annum above six month KIBOR (2008: 2.5 percent above six months KIBOR) with floor of 12 percent per annum. The loan is repayable in 12 equal installments payable quarterly commenced from 30, September 2007. It is secured against first registered charge over all present and future fixed assets of the company, hypothecation of stocks and book debts, pledge of raw cotton, lien over export bills sent for collection against confirmed letter of credit and personal guarantee of the chief executive.
- 8.3 The term finance is obtained for purchase of Plant and machinery. The loan is subject to mark up at the rate of 2 percent per annum above six month KIBOR (2008 : 2 percent per annum above six month KIBOR). The loan is repayable in 12 equal installments payable quarterly commenced on January 27, 2007. It is secured against first registered charge over all present and future fixed assets of the company, hypothecation of stocks and book debts, pledge of raw cotton, lien over export bills sent for collection against confirmed letter of credit and personal guarantee of the chief executive.
- 8.4 The term finance is obtained for purchase of Plant and machinery. The loan is subject to mark up at the rate of 2 percent per annum above six month KIBOR (2008 : 2 percent per annum above six month KIBOR). The loan is repayable in 12 equal installments payable quarterly commenced on March 15, 2007. It is secured against first registered charge over all present and future fixed assets of the company, hypothecation of stocks and book debts, pledge of raw cotton, lien over export bills sent for collection against confirmed letter of credit and personal guarantee of the chief executive.
- 8.5 The term finance is obtained for consolidation / restructuring of four TF(s) earlier allowed for retirement of import documents of machinery into one loan. The loan is subject to mark up at the rate of 2.25 percent per annum above six month KIBOR. The loan is repayable in 39 equal monthly installments commenced from April 2009. It is secured against lien over export documents under LC and indemnity for discrepant documents.
- 8.6 This is secured against equitable mortgage on fixed assets of the company including land (measuring 74 Kanal & 13 marlas), building and plant and machinery (valuing Rs. 645 millions), charges over stocks, receivable, lien over export documents, L/C and personal guarantees of sponsoring directors. It is repayable in 48 equal monthly installments commencing from July 30, 2006 and carries mark up of 2 percent (2008 : 2 percent) above 3 month KIBOR with floor of 11 percent per annum.
- 8.7 This is secured against equitable mortgage on fixed assets of the company including land (measuring 74 Kanal & 13 marlas), building and plant and machinery (valuing Rs. 645 millions), charges over stocks, receivable, lien over export documents, L/C and personal guarantees of sponsoring directors. It is repayable in 120 equal monthly installments commencing from August 17, 2007 and carries mark up of 2 percent (2008 : 2percent) above 3 month KIBOR with floor of 11 percent per annum.
- 8.8 This is secured against equitable mortgage on fixed assets of the company including land (measuring 74 Kanal & 13 marlas), building and plant and machinery (valuing Rs. 645 millions), charges over stocks, receivable, lien over export documents, L/C and personal guarantees of sponsoring directors. It is repayable in 24 equal installments commencing from June 30, 2007 and carries mark up of 1.75 percent (2008 : 1.75 percent) above 3 month KIBOR with floor of 11 percent per annum.
- 8.9 The term finance is obtained for restructuring and rescheduling of existing outstanding term loans. This is secured against equitable mortgage on fixed assets of the company including land (measuring 74 Kanal & 13 marlas), building and plant and machinery (valuing Rs. 645 millions), charges over stocks, receivable, lien over export documents, L/C and personal guarantees of sponsoring directors. It is repayable in 10 years with 2 years grace period commencing from October 2011. It carries mark up of 7.5 percent for first year and 1 percent above 3 month KIBOR for remaining period.
- 8.10 These are unsecured, interest free loans and not repayable in next twelve months.



	Note	2009Rupees.....	2008
9 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Minimum lease payment			
Upto one year		1,214,276	1,732,038
More than one year but less than five years		374,644	1,297,133
		1,588,920	3,029,171
Finance charge			
Upto one year		108,286	284,031
More than one year but less than five years		19,946	85,042
		128,232	369,073
Present value of minimum lease payment			
Upto one year		1,105,990	1,448,007
More than one year but less than five years		354,698	1,212,091
		1,460,688	2,660,098
Less:			
Current portion		1,105,990	1,448,007
		354,698	1,212,091

9.1 These represents finance leases which have been obtained under the lease arrangement for vehicles. The total lease rentals due under the lease agreements aggregate Rs. 1.589 million (2008 : 3.029 million) and are payable in monthly installments under various lease agreements, latest by 2011. The presented value of minimum lease payments has been discounted at interest rate implicit in the lease, which equates to an interest rate of approximately 15.9 to 16.5 (2008 : 14.5 to 15.5) percent per annum. If any lease is terminated, the lessee is required to pay the purchase price specified in lease agreements. The liability is partially secured by a deposit of Rs. 404,450 (2008 : Rs. 404,450), lien on leased assets and demand promissory notes. The company intends to exercise the option of purchasing the leased assets at residual value upon completion of the lease term.

	Note	2009Rupees.....	2008
10 DEFERRED LIABILITIES			
Staff retirement benefits - gratuity	10.1	1,392,576	4,054,555
Deferred taxation	10.10	16,132,861	23,813,021
		17,525,437	27,867,576
10.1 Staff retirement benefits - gratuity			
10.2 Movement in the net liability recognized in the balance sheet			
Opening net liability		4,054,555	4,002,182
Expense for the year	10.6	2,395,818	3,193,406
		6,450,373	7,195,588
Benefits paid		(5,057,797)	(3,141,033)
Closing net liability		1,392,576	4,054,555
10.3 Movement in present value of defined benefit obligation			
Present value of defined benefit obligation - opening		10,159,691	7,842,568
Current service cost		1,028,735	1,787,344
Interest cost		635,422	897,037
Actuarial loss		(214,028)	2,773,775
Benefits paid		(5,057,797)	(3,141,033)
Present value of defined benefit obligation - closing		6,552,023	10,159,691

10.4 Historical information

	2009	2008	2007	2006	2005
	Rupees				
Present value of defined benefit obligation		10,159,691	7,842,568	8,293,624	4,462,061
Experience adjustments on plan liabilities		(2,773,775)	(878,643)	(3,339,548)	(212,572)

10.5 Reconciliation

	2009	2008
	Rupees	
Present value of obligation	10,159,691	10,159,691
Unrecognized actuarial (losses)	(6,105,136)	(6,105,136)
	4,054,555	4,054,555

10.6 Expense recognized in profit and loss account

	2009	2008
Service cost	1,787,344	1,787,344
Interest cos	897,037	897,037
Net actuarial loss recognized	509,025	509,025
	3,193,406	3,193,406

10.7 Principle actuarial assumptions

	2009	2008
Discount factor used	12%	12%
Expected rate of salary increases	10%	10%

10.8 General description

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

10.9 Expected gratuity expense for the year ending June 30, 2010 works out to Rs. 2,563,976.

10.10 Deferred taxation

The net liability for deferred taxation comprises of temporary differences.

	2009	2008
	Rupees	
Taxable temporary difference		
Accelerated tax depreciation allowance	164,316,932	164,316,932
Lease rentals	122,815	122,815
	164,439,747	164,439,747
Deductible temporary differences		
Provision for doubtful debts	(657,937)	(657,937)
Staff retirement benefits - gratuity	(1,064,321)	(1,064,321)
Carried forward minimum tax under section 113	(3,573,096)	(3,573,096)
Tax losses	(135,331,372)	(135,331,372)
	(140,503,911)	(140,503,911)
	23,813,021	23,813,021



	Note	2009Rupees.....	2008
11 TRADE AND OTHER PAYABLES			
Creditors		69,544,970	89,632,985
Accrued liabilities		28,990,279	18,963,960
Advance from customers		3,132,468	12,645,001
Retention money		200,000	200,000
Unclaimed dividend		403,678	403,678
Income tax payable		7,445,990	2,416,527
Other liabilities		-	890,660
		110,057,385	125,152,811
12 ACCRUED MARK UP			
Long term financing - from banking companies		7,613,154	12,042,238
Liabilities against assets subject to finance lease		62,928	62,928
Short term borrowings - from banking companies		3,467,485	8,955,537
		11,143,567	21,060,703
13 SHORT TERM BORROWINGS			
Secured - from banking companies			
Short term running finances	13.1	198,868,370	251,397,815
Unsecured			
Temporary book overdraft	13.2	1,408,938	4,150,650
		200,277,308	255,548,465
13.1	Short term running finances are available from commercial banks under mark up arrangements amounting Rs. 375 million (2008 : Rs. 470 million). These are secured against pledge / hypothecation of raw material and cotton yarn, lien on export bills sent for collection against confirmed LC's, current assets, receivables and personal guarantees of chief executive and certain directors. These carries mark up ranging from 13.01 to 15.21 percent per annum (2008 : 11.07 to 13.18 percent per annum). The facilities will expire on various dates by December 2009.		
13.2	This represent temporary book overdraft due to issuance of cheques in excess of balances in bank accounts.		
14 PROVISION FOR TAXATION			
Opening balance		5,405,302	4,483,759
Provision for the year	32	629,649	7,311,842
Adjusted during the year		-	(6,390,299)
		6,034,951	5,405,302
15 CONTINGENCIES AND COMMITMENTS			
15.1 Contingencies			
15.1.1	Departmental appeal by Collector of Customs against the company is pending before the Lahore High Court, regarding sale of scrap and fixed assets, however, there is no liability against the company.		
15.1.2	Application by Collector of Customs for recovery of custom duty amounting to Rs. 3.4 million is pending before Lahore High Court. However, the company has already furnished a bank guarantee of Rs. 3.4 million in the regard.		
15.1.3	Letter of guarantee issued by bank on behalf of company amounting to Rs. 24.38 million (2008 : Rs. 24.38 million).		
15.1.4	Foreign bills payable discounted with commercial banks amounting to Rs. 8.048 million (2008 : Rs. 8.048 million).		
15.2 Commitments			
	Committed for other than capital expenditure Rs. Nil (2008 : 41.904 million) at balance sheet date.		



15.1 Property plant and equipment

Cost	Owned assets											Leased assets		Total
	Freehold land	Building on freehold land	Plant and machinery	Electric installation	Fire fighting equipment	Tube well	Office equipment	Furniture and fixture	Vehicle	Weigh bridge	Sub total	Vehicle	Vehicle	
Balance as at July 01, 2007	59,964,000	170,372,372	971,622,475	15,590,747	584,897	1,026,623	3,336,720	865,607	5,437,037	1,602,508	1,230,402,976	3,266,460	-	1,233,669,436
Additions during the year	-	82,889,619	37,720,231	551,138	-	-	467,430	-	30,000	-	121,658,418	850,000	-	122,508,418
Disposals	-	-	(6,489,360)	-	-	-	-	-	-	-	(6,489,360)	-	-	(6,489,360)
Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation surplus / (deficit)	103,348,500	(15,378,910)	47,205,988	-	-	-	-	-	-	-	135,175,578	-	-	135,175,578
Adjustment	-	(61,279,398)	(254,088,153)	-	-	-	-	-	-	-	(315,367,551)	-	-	(315,367,551)
Balance as at June 30, 2008	163,312,500	176,603,683	795,971,181	16,141,875	584,897	1,026,623	3,804,150	865,607	5,467,037	1,602,508	1,165,380,061	4,116,460	-	1,169,496,521
Balance as at July 01, 2008	163,312,500	176,603,683	795,971,181	16,141,875	584,897	1,026,623	3,804,150	865,607	5,467,037	1,602,508	1,165,380,061	4,116,460	-	1,169,496,521
Additions during the year	-	-	2,324,556	-	-	-	25,000	-	42,000	-	2,391,556	-	-	2,391,556
Disposals	-	-	(1,945,762)	-	-	-	-	-	(330,000)	-	(2,275,762)	-	-	(2,275,762)
Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation surplus / (deficit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2009	163,312,500	176,603,683	796,349,975	16,141,875	584,897	1,026,623	3,829,150	865,607	5,179,037	1,602,508	1,165,495,855	4,116,460	-	1,169,612,315
Depreciation														
Balance as at July 01, 2007	-	55,174,112	220,402,695	10,367,119	416,402	371,969	1,472,220	503,343	4,290,989	1,106,574	294,105,423	419,002	-	294,524,425
Charge for the year	-	6,105,286	37,878,471	526,955	16,850	65,465	211,451	36,226	229,710	49,593	45,120,007	569,492	-	45,689,499
Depreciation on disposal	-	-	(4,193,013)	-	-	-	-	-	-	-	(4,193,013)	-	-	(4,193,013)
Adjustment	-	(61,279,398)	(254,088,153)	-	-	-	-	-	-	-	(315,367,551)	-	-	(315,367,551)
Balance as at June 30, 2008	-	-	10,894,074	433,252	437,434	1,683,671	539,569	4,520,699	1,156,167	19,664,866	988,494	-	-	20,653,360
Balance as at July 01, 2008	-	-	10,894,074	433,252	437,434	1,683,671	539,569	4,520,699	1,156,167	19,664,866	988,494	-	-	20,653,360
Charge for the year	-	8,830,184	39,891,420	524,780	15,164	58,919	214,548	32,604	192,768	44,694	49,805,021	625,593	-	50,430,614
Depreciation on disposal	-	-	(40,537)	-	-	-	-	-	(194,832)	-	(194,832)	-	-	(194,832)
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2009	-	8,830,184	39,794,817	11,418,854	448,416	496,353	1,898,219	572,173	4,491,601	1,200,801	69,151,418	1,614,087	-	70,869,142
Written down value as at June 30, 2008	163,312,500	176,603,683	795,971,181	5,247,801	151,645	589,189	2,120,479	326,038	946,338	446,341	1,145,715,195	3,127,966	-	1,148,843,161
Written down value as at June 30, 2009	163,312,500	167,773,499	756,555,158	4,723,021	136,481	530,270	1,930,931	293,434	687,436	401,707	1,096,344,437	2,502,373	-	1,098,846,810
Rate of depreciation	0%	5%	5%	10%	10%	10%	10%	10%	20%	10%	20%	20%	-	20%

15.1.1 Disposal of property, plant and equipment

Detail of property, plant and equipment disposed off during the year is as follows:

Description	Revalued amount	Accumulated Depreciation	Book value	Sale proceeds	Loss	Mode of Disposal	Particulars of buyers	
							Rupees	
Plant and machinery	1945,762	40,537	1,905,225	720,800	1,184,425	Negotiation	Alfaq and Danyal Steel Industry, House no. 84/2 Mehboob road Minri Shah, Lahore.	
Vehicles	330,000	194,832	135,168	80,000	55,168	Negotiation	Nasima Shahsavu, F-151/1-A, street no. 8 ishal park, Defence Lahore Cantt	
	2,275,762	235,369	2,040,393	800,800	1,194,425			



	Note	2009Rupees.....	2008
16.1.2 Depreciation has been allocated as follows.			
Cost of sales	26.1		44,642,620
Administrative expense	29		1,046,879
			45,689,499

16.1.3 Revaluation of property, plant and equipment

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

Particulars	Cost	Accumulated depreciation	Book value
	-----Rupees-----		
Freehold land	6,106,500	- -	6,106,500
Factory building	176,307,574	37,464,133	138,843,441
Plant and machinery	724,710,952	181,952,277	542,758,675
Total (2009)	907,125,026	219,416,410	687,708,616
Total (2008)	905,878,336	183,509,760	722,368,576

Freehold land, building, plant and machinery were revalued as on June 30, 2008 (previously these were valued on September 30, 2001 and September 30, 2004) by independent valuers "M/S. BFA (Pvt.) Limited, Valuers and Engineers, Lahore". This valuation resulted in surplus on revaluation of property, plant and equipment amounting to Rs. 135,175,578 which was credited to surplus on revaluation of property, plant and equipment to comply with the requirements of section 235 of Companies Ordinance, 1984. The valuation was based on fair value determined on present depreciated value method.

	2009Rupees.....	2008
16.2 Capital work in progress		
Civil works		
Plant and machinery		-
		-
17 LONG TERM DEPOSITS		
Lease security deposits		404,450
		404,450
18 STORES, SPARE PARTS AND LOOSE TOOLS		
Stores		18,204,927
Spare parts		28,564,493
Loose tools		1,250
		46,770,670
19 STOCK IN TRADE		
Raw material		154,055,890
Packing material		2,490,265
Work in process		13,293,812
Finished goods and waste		28,846,927
		198,686,894

	Note	2009Rupees.....	2008
20 TRADE DEBTS			
Considered good			
Secured			
Export debtors			2,703,331
Unsecured			
Local yarn debtors		26,083,407	26,083,407
Local waste debtors		5,428,643	5,428,643
		<u>34,215,381</u>	<u>34,215,381</u>
Considered doubtful			1,109,727
		<u>35,325,108</u>	<u>35,325,108</u>
Less:			
Provision for doubtful debts		(1,109,727)	(1,109,727)
		<u>34,215,381</u>	<u>34,215,381</u>
21 LOANS AND ADVANCES			
Considered good			
Advance to:			
Suppliers		17,794,642	17,794,642
Purchaser			120,535
Employees		880,787	880,787
Letters of credit		36,001,437	36,001,437
		<u>54,797,401</u>	<u>54,797,401</u>
22 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Margin deposits for:			
Bank guarantees		7,262,682	7,262,682
Export bills		40,000	40,000
Security deposits		29,700	29,700
		<u>7,332,382</u>	<u>7,332,382</u>
Prepayments			1,500
		<u>7,333,882</u>	<u>7,333,882</u>
23 OTHER RECEIVABLES			
Considered good			
Export rebate receivable		379,001	379,001
Sale tax receivable		1,676,435	1,676,435
Advance income tax		11,470,922	11,470,922
Others		1,604,750	1,604,750
		<u>15,131,108</u>	<u>15,131,108</u>
Considered doubtful			
Karachi Metropolitan Corporation		1,396,700	1,396,700
Provision for doubtful receivables		(1,396,700)	(1,396,700)
		<u>15,131,108</u>	<u>15,131,108</u>



	Note	2009Rupees.....	2008
24 CASH AND BANK BALANCES			
Cash in hand		412,243	424,143
Cash with banks in:			
Local currency		308,782	1,161,528
Foreign currency			
Current accounts		233,446	197,465
Deposit accounts		-	751,028
		540,228	2,110,021
		<u>954,472</u>	<u>2,534,164</u>
25 SALES - NET			
Yarn			
Local sales		877,651,238	877,651,238
Export sales		56,535,263	181,766,993
		934,186,501	1,059,418,231
Waste		18,836,383	21,501,746
Doubling income		-	140,40
		<u>953,022,884</u>	<u>1,081,060,377</u>
26 COST OF SALES			
Cost of goods manufactured	26.1	838,462,977	1,031,004,529
Finished goods and waste			
Opening stock		28,846,927	6,944,400
Closing stock		(27,715,975)	(28,846,927)
		1,130,950	(1,902,527)
		<u>839,573,952</u>	<u>1,029,102,002</u>
26.1 Cost of goods manufactured			
Raw material consumed	26.1.1	617,520,040	800,636,211
Yarn purchased		375,390	3,038,130
Stores, spare parts and loose tools consumed		9,235,989	13,111,443
Packing materials consumed		13,208,576	18,022,429
Salaries, wages and other benefits	26.1.2	89,162,431	70,355,809
Fuel and power		72,290,823	72,636,837
Vehicle running and maintenance		593,352	399,378
Repair and maintenance		2,364,093	3,245,972
Telephone, postage and telegram		128,088	295,255
Traveling and conveyance		254,532	228,036
Printing and stationery		97,946	61,753
Entertainment		198,564	1,057,805
Fee and subscription		7,185	118,578
Textile cess		28,272	-
Insurance	16.1.2	6,072,389	7,234,875
Depreciation		49,309,035	44,642,620
Others		1,163,342	908,046
		<u>832,010,047</u>	<u>1,035,993,177</u>
Work in process			
Opening stock		13,293,812	8,305,164
Closing stock		(16,340,882)	(13,293,812)
		5,955,435	(4,988,648)
		<u>837,965,482</u>	<u>1,031,004,529</u>



	Note	2009Rupees.....	2008
26.1.1 Raw material consumed			
Opening stock		154,055,890	56,463,132
Purchases		628,691,108	882,625,737
Purchase expenses		10,976,255	15,603,232
		639,667,363	898,228,969
		793,723,253	954,692,101
Closing stock		(176,203,213)	(154,055,890)
		617,520,040	800,636,211
26.1.2 This includes Rs. 1,048,612 (2008 : Rs. 2,925,892) on account of staff retirement benefits.			
27 OTHER OPERATING INCOME			
From financial assets			
Profit on bank deposits		17,067	145,359
From non financial assets			
Weigh bridge income		1,513,370	1,649,410
Exchange gain		838,238	677,217
Others		395,537	633,184
		2,747,145	2,959,811
		2,764,212	3,105,170
28 DISTRIBUTION COST			
Commission on			
Export sales		1,278,340	2,527,925
Local sales		2,999,872	3,743,242
		4,278,212	6,271,167
Freight and carriage on :			
Export sales		1,423,245	3,547,392
Local sale		94,300	125,850
		1,517,545	3,673,242
Other expenses on :			
Export sales		1,616,793	2,084,323
Local sales		8,186,119	1,126,749
		9,802,913	3,211,072
		15,598,670	13,155,481



	Note	2009Rupees.....	2008
29 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	29.1	8,330,365	8,330,365
Fees and subscription		1,013,149	1,013,149
Traveling and conveyance		371,233	371,233
Vehicle running		887,785	887,785
Telephone, postage and telegram		581,487	581,487
Printing and stationery		181,339	181,339
Repair and maintenance		228,994	228,994
Electricity, gas and water		145,052	145,052
Insurance		314,383	314,383
Rent, rates and taxes		360,000	360,000
Entertainment		168,917	168,917
Legal and professional charges		956,333	956,333
Auditors' remuneration	29.2	325,000	325,000
Depreciation	16.1.2	1,046,879	1,046,879
Donation	29.3	5,000	5,000
Advertisement		242,374	242,374
Others		440,009	440,009
		<u>14,785,448</u>	<u>15,598,299</u>

29.1 This includes Rs. 1,347,206 (2008 : Rs. 267,514) on account of staff retirement benefits.

29.2 Auditors' remuneration

Statutory audit fee	300,000	225,000
Half yearly and other reviews	70,000	60,000
Review of code of corporate governance	40,000	40,000
	<u>410,000</u>	<u>325,000</u>

29.3 None of the directors or their spouses had any interest in the donee.

30 OTHER OPERATING EXPENSES

	Note	2009	2008 (Restated)
Loss on disposal of property, plant and equipment	30.1	1,239,533	1,436,347
		<u>1,239,533</u>	<u>1,436,347</u>

30.1 The revaluation surplus realized on disposal of property, plant and equipment was wrongly credited to profit and loss account in the last year. In current year error has corrected and surplus realized on disposal of property, plant and equipment is credited to statement of changes in equity. The correct treatment of realization of revaluation surplus on disposal of property, plant and equipment has been applied retrospectively in accordance with International Accounting Standard (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Error". Consequently loss for the year June 30, 2008 is increased by Rs. 1,323,201. However accumulated loss as on June 30, 2008 remains the same.



	Note	2009Rupees.....	2008
31 FINANCE COST			
Mark up on long term financing			44,476,579
Mark up on short term borrowings			28,076,817
Bank charges and commission			5,878,230
Mark up on finance lease			330,284
Guarantee commission fee			90,000
			<u>78,851,910</u>
			<u>78,851,910</u>
32 TAXATION			
Current			5,405,302
Prior year			1,906,540
			<u>7,311,842</u>
Deferred			(5,192,455)
			<u>2,119,387</u>

32.1 The assessment of the company will be finalized in respect of export proceeds under presumptive tax regime under section 169. Other than export income, assessment will be finalized under the provisions of Income Tax Ordinance, 2001.

32.2 The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements, as the total income of the company (accounting loss) falls under sections 113 of the Income Tax Ordinance, 2001.

33 EARNINGS PER SHARE - BASIC AND DILUTED

33.1 Basic earnings per share

			(Restated)
Net loss for the year	Rupees	(56,097,879)	<u>(56,097,879)</u>
Weighted average number of ordinary shares outstanding during the year	Numbers	19,868,493	<u>19,868,493</u>
Earnings per share in rupees	Rupees	(2.76)	<u>(2.76)</u>

33.2 Shares issued to directors against conversion of their loan on June 26, 2008.

33.3 There is no dilution effect on the basic earnings per share as the company has no such commitments.



	Note	2009Rupees.....	2008
34 CASH GENERATED FROM OPERATIONS			
Loss for the year before taxation			(53,978,492)
Adjustments for:			
Depreciation			45,689,499
Provision for staff retirement benefits - gratuity			3,193,406
Finance cost			78,851,910
Exchange gain			(677,217)
Loss on disposal of property, plant and equipment			113,146
			128,493,945
Profit / (loss) before working capital changes			74,515,453
Effect on cash flow due to working capital changes (Increase) / decrease in current assets			
Stores, spares and loose tools			(6,101,787)
Stock in trade			(104,932,723)
Trade debts			4,836,903
Loans and advances			13,795,912
Trade deposits and short term prepayments			52,151
Other receivables			(1,203,303)
			(93,552,847)
Increase / (decrease) in current liabilities			
Trade and other payables			10,102,167
			(8,935,227)

35 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises associated companies, directors and key management personnel. Amounts due to related parties are shown in the relevant notes to the financial statements.

	Note	2009Rupees.....	2008
Balances with related parties			
Long term financing from directors	8	95,184,738	95,184,738
Long term financing from associated companies	8	13,137,850	13,137,850

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

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

There are no transactions with key management personnel other than under their terms of employments / entitlements. Balance outstanding from related parties are unsecured and repayable on demand or as contracted. Amounts due to related parties are shown in the relevant notes to the financial statements.



36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

- 36.1 Credit risk
- 36.2 Liquidity risk
- 36.3 Market risk

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

36.1 Credit risk

36.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 21.3888 million (2008 : Rs. 40.048 million), financial assets which are subject to credit risk aggregate to Rs. 20.976 million (2008 : Rs. 39.624 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows.

	2009	2008
Rupees.....	
Long term deposits	404,450	404,450
Trade debts	17,775,368	34,215,381
Loans and advances	1,273,946	880,787
Trade deposits	29,700	29,700
Other receivables	949,941	1,983,751
Cash and bank balances	954,472	2,534,164
	<u>21,387,877</u>	<u>40,048,233</u>

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

Domestic	17,775,368	31,512,050
Export	-	2,703,331
	<u>17,775,368</u>	<u>34,215,381</u>

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

Yarn	12,757,837	28,786,738
Waste	5,017,531	5,428,643
	<u>17,775,368</u>	<u>34,215,381</u>

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

	Gross debtors	
	2009	2008
Rupees.....	
Past due 0 - 30 days	11,198,482	17,107,691
Past due 31 - 90 days	4,443,842	8,553,845
Past due 90 days - 1 year	-	4,448,000
More than one year	2,133,044	4,105,846
	<u>17,775,368</u>	<u>34,215,381</u>



36.2 Liquidity risk

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

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	Two to five years	More than five years
Non - derivative Financial liabilities						
Long term financing	598,580,635	929,578,510	30,281,625	22,625,625	603,054,268	273,616,992
Finance lease	1,460,688	1,588,920	546,424	667,852	374,644	-
Trade and other payables	110,057,385	110,057,385	110,057,385	-	-	-
Accrued mark up / interest	11,143,567	11,143,567	11,143,567	-	-	-
Short term borrowings	200,277,308	215,192,436	215,192,436	-	-	-
	921,519,583	1,267,560,818	367,221,437	23,293,477	603,428,912	273,616,992
Non - derivative Financial liabilities						
Long term financing	445,435,337	698,269,899	47,195,785	70,793,677	580,280,437	-
Finance lease	2,660,098	3,029,171	779,417	952,621	1,297,133	-
Trade and other payables	125,152,811	125,152,811	125,152,811	-	-	-
Accrued mark up / interest	21,060,703	21,060,703	21,060,703	-	-	-
Short term borrowings	255,548,465	273,146,312	273,146,312	-	-	-
	849,857,414	1,120,658,896	467,335,028	71,746,298	581,577,570	-

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

36.3 Market risk

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

36.3.1 Currency risk

Exposure to currency risk

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

	US Dollar	Euro	Others	Rupees
Trade debts 2009	-	-	-	-
Trade debts 2008	39,755	-	-	2,703,331



The following significant exchange rates applied during the year.

	Average rates		Reporting date rates	
	2009	2008	2009	2008
US Dollar to Rupees	74.55	64.20	81.10	68.00

Sensitivity analysis

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

	2009	2008
	Rupees	
US Dollar	-	(135,167)
Euro	-	-

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

36.3.2 Interest rate risk

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

	2009	2008
	Rupees	
Fixed rate instruments	-	-
Financial assets	-	-
Financial liabilities	-	-
Variable rate instruments	-	751,028
Financial assets	629,329,058	591,170,662
Financial liabilities	-	-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Profit & loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	Rupees			
Cash flow sensitivity - variable rate instruments 2009	(1,030,997)	1,030,997	-	-
Cash flow sensitivity - variable rate instruments 2008	(728,837)	728,837	-	-

36.4 Fair value of financial assets and liabilities

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

**36.5 Off balance sheet items**

	2009	2008
	Rupees	
Bank guarantees	21,630,000	24,380,000
Letters of credit	-	41,904,000

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

37 CAPITAL RISK MANAGEMENT

The company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

	2009	2008
Rupees	798,857,943	700,983,802
Rupees	110,677,536	201,073,169
Rupees	909,535,479	902,056,971
Percentage	87.83	77.71

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The chief executive and directors have waived their remuneration and meeting fees for the year. The chief executive is entitled to free use of company maintained car. No employee of the company fall under the definition of executives as defined in Companies Ordinance, 1984.

39 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on October 06, 2009 by the board of directors of the company

40 CAPACITY AND PRODUCTION

Spindles installed (numbers)	28,272	28,272
Spindles worked (numbers)	24,786	25,652
Installed capacity converted in to 20/s (Kgs.)	8,651,230	8,651,230
Actual production of yarn converted in to 20/s (Kgs)	6,415,293	6,752,940
Number of shifts worked per day	3	3

There was shortage of gas supply during winter season which resulted in reduced production during the year 2009.

40.1 It is difficult to determine precisely described production capacity and the resultant production converted into single count in the textile industry, since it fluctuates widely depending on various factors such as type of yarn produced and raw material used etc. It would also vary according to the trend of production adopted in a particular period.

41 GENERAL

41.1 Figures have been rounded off to the nearest of Rupee.

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

42 EVENTS AFTER THE BALANCE SHEET DATE

There are no subsequent events occurring after balance sheet date.

NOOR ELAHI
CHIEF EXECUTIVE

PARVEEN ELAHI
DIRECTOR

**KEY OPERATION AND FINANCIAL DATA
FOR THE LAST SIX YEARS**
Rs. ('000's)

PARTICULARS	2009	2008	2007	2006	2005	2004
BALANCE SHEET SUMMARY						
Paid up Capital	392,000	392,000	196,000	196,000	196,000	98,000
Reserves & Accumulated Losses	(281,322)	(190,927)	(149,132)	(149,132)	(100,825)	(89,662)
Surplus on Revaluation of Fixed Assets	414,969	424,514	314,781	314,781	327,397	347,645
Long Term Liabilities	583,935	360,310	488,905	488,905	158,517	198,485
Deferred Liabilities	17,525	27,868	21,868	21,868	22,820	18,456
Current Liabilities	343,619	494,953	400,501	400,501	278,562	168,127
	1,470,727	1,508,717	1,272,923	1,272,923	882,471	741,051
REPRESENTED BY						
Fixed Assets	1,103,327	1,148,843	988,503	628,999	574,639	574,758
Long Term Deposit	404	404	320	-	104	104
Current Assets	366,995	359,470	284,100	253,473	166,308	198,204
	1,470,727	1,508,717	1,272,923	1,272,923	882,471	741,051
PROFIT AND LOSS - SUMMARY						
Sales	856,602	1,081,060	896,752	643,109	468,627	547,429
Cost of Sales	(830,094)	(1,029,102)	(870,066)	(613,078)	(438,796)	(508,309)
Gross Profit	26,508	51,958	26,686	30,031	29,831	39,120
Other Operating Expenses	(31,544)	(30,190)	(23,807)	(22,198)	(15,029)	(13,884)
Financial Charges	(104,720)	(78,852)	(61,213)	(25,162)	(12,473)	(11,057)
Other Income	2,764	3,105	1,895	1,172	3,916	967
Profit / (Loss) Before Taxation	(106,991)	(53,979)	(56,439)	(16,157)	6,245	15,146
Provision for Taxation	7,051	(2,119)	(4,484)	(7,088)	(9,272)	(3,250)
Profit / (Loss) After Taxation	(99,941)	(56,098)	(60,923)	(23,245)	(3,027)	11,896
Earning Per Share	(2.55)	(2.76)	(3.11)	(0.22)	(0.31)	1.21
Dividend	-	-	-	-	-	5%



FORM OF PROXY

The Company Secretary,
RUBY TEXTILE MILLS LIMITED,
203-Faiyaz Centre, 2nd Floor,
3-A, S.M.C. Housing Society
Shahrah-e-Faisal,
Karachi-74400.

PLEASE QUOTE:

Folio No.	No. of Shares held

I/We of _____
 being a member of Ruby Textile Mills Limited hereby appoint _____
 of _____

who is also member of Company vide Registered Folio No.....as my / our proxy to attend, act and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at 203-Faiyaz Centre, 2nd Floor, 3-A, S.M.C. Housing Society, Shahrah-e-Faisal, Karachi-74400 on Thursday October 29th, 2009 at 6:30 p.m.

In witness whereof I have set my hand this _____ day of _____ 2009.

Date: _____

Place: _____



Member's Signature:

Notes:

1. This proxy form must be deposited duly completed in the Company's Registered Office at least 48 hours before the meeting.
2. A proxy must be member of the Company.
3. Member's Signature should agree with the specimen registered with the Company.

