

Scam 1490

IDREES

TEXTILE MILLS LIMITED

Annual Report 2009





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COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. S.M. Idrees Allawala - Chairman
	Mr. Imran Idrees Allawala - CEO
	Mr. Mansoor Idrees Allawala - Director
	Mr. Kamran Idrees Allawala - Director
	Mr. Naeem Idrees Allawala - Director
	Mr. Muhammad Israil - Director
	Mrs. Saba Kamran - Director
AUDIT COMMITTEE	Mr. Mansoor Idrees Allawala - Chairman
	Mr. Kamran Idrees Allawala - Member
	Mr. Muhammad Israil - Member
	Syed Shahid Sultan - Secretary
CHIEF FINANCIAL OFFICER	Mr. Muhammad Jawaid
COMPANY SECRETARY	Syed Shahid Sultan
AUDITORS	M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants
BANKERS	Habib Bank Limited National Bank of Pakistan Bank Alfalah Limited Habib Metropolitan Bank Ltd. Soneri Bank Limited Emirates Global Islamic Bank Ltd. Silkbank Bank Ltd. Meezan Bank Lrd.
REGISTERED OFFICE	6-C, Ismail Centre, 1st Floor, Central Commercial Area, Bahadurabad, Karachi - 74800.
REGISTRAR	M/s. NI Associates (Pvt.) Ltd. 53, Kokan Society, Alamgir Road, Hyder Ali Road, Karachi
MILLS	Kot Shah Mohammad, Tehsil Nankana, District Nankana, Punjab.



Notice is hereby given that the 20th Annual General Meeting of the shareholders of Idrees Textile Mills Limited will be held on Friday, October 30, 2009 at 8.00 A.M. at Sadabahr, 53 Kokan Society, Alamgir Road/Hyder Ali Road, Karachi-5 to transact the following business:

ORDINARY BUSINESS;

1. To confirm the minutes of the last Annual General Meeting held on October 31, 2008.
2. To receive, consider and adopt reports of the Directors and Auditors together with audited financial statements of the company for the year ended June 30, 2009.
3. To appoint Auditors and fix their remuneration for the year ending on June 30, 2010. The retiring Auditors M/s M. Yousuf Adil Saleem & Company, Chartered Accountants, being eligible, offer themselves for re-appointment.
4. To transact any other business that may be placed before the meeting with the permission of the Chair.

By order of the Board

Karachi
Dated: October 07, 2009

Syed Shahid Sultan
Company Secretary

Notes:

- (i) Shareholders are advised to promptly notify any change in their addresses.
- (ii) Share Transfer Books of the Company will remain closed from October 28, 2009 to November 04, 2009 (both days inclusive).
- (iii) A member eligible to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend, and vote for him/her.
- (iv) An instrument of proxy under which it is signed, in order to be valid must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.
- (v) Shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original Computerized National Identity Card along account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders will have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

The Directors of your Company have pleasure in presenting before you the 20th Annual Report of the Company together with the audited financial statements for the year ended June 30, 2009.

FINANCIAL AND OPERATIONAL RESULTS

During the year under review the Company achieved sales volume of Rs. 751.716 million as compared to Rs. 864.805 during the last year. The gross profit for the year amounted to Rs. 116.315 million compared to Rs. 154.678 during the previous year while the net loss after tax for the year amounted to Rs. 5.951 million compared to net profit after tax amounting to Rs. 6.667 million for the corresponding period of last year. The Company suffered loss during the year due to decrease in selling price of yarn as a result of lower market demand which negatively affected sales volume. Other cost factors included increase in minimum wage rate, spiraling hikes in energy cost and a sharp decline in the value of Pak Rupee against the US Dollar which also increased the cost of raw material. Furthermore, disruption in gas supply caused frequent stoppages of the mill resulting in production loss. However, the management succeeded in keeping the loss to the minimal by earning a profit of Rs. 28.613 million on sale of raw material (2008: Rs. 0.019 million) and kept its focus to steer the Company out of the adversities being faced by the country in the wake of the global financial meltdown.

During the year under review, finance cost increased to Rs. 142.61 million from Rs. 90.93 million in the last year. The rise in finance cost is attributable to higher mark-up rates during the year and liquidity problems due to the prevalent recessionary pressure in the market.

DIVIDEND

In view of the net loss suffered by the Company, your directors have decided not to recommend any dividend this year.

FUTURE OUTLOOK

Future outlook of your Company is directly related to the general outlook of the country's textile industry as a whole. The government has so far approved a mark-up subsidy on long term financing @ 3% for the spinning sector for a period of two years beginning from July 01, 2007 and ending on June 30, 2009. This is indeed a welcome step which will ease out the heavy financial burden of the industry to some extent. Similar relief should also be allowed for 2009-10 to support and encourage the ailing industry. Fortunately, SBP has also reduced its Policy Rate by 2% during the financial year 2008-09, which would ease out the financial burden of the Company in the ensuing year.

The government has announced its first ever Textile Policy envisaging steps for revival of the textile industry. Plans for offering drawbacks, financial concessions, training programs and incentives for value addition, modernization and new investment have been indicated. The benefits of this policy will only materialize if it is implemented in letter and spirit by bringing on board all the stakeholders with due expediency and seriousness while diligently ensuring flowing of its trickle down effects to the common man.

In view of the foregoing, while endeavoring to turn the bottom-line into green, it would indeed be a challenge for the management. Power crisis, especially during winter months, and financial cost are the biggest challenges to be tackled in the ensuing year. Your management is making its best and untiring efforts to maximize the mills efficiency, improve quality and control costs to cope with the adversities.

AUDITORS

The retiring Auditors M/s Yousuf Adil Saleem & Co., Chartered Accountants have offered themselves for re-appointment for the ensuing year 2009-2010. The audit committee in its meeting held on October 05, 2009 has recommended appointment of the retiring auditors.

(LOSS) / EARNING PER SHARE

The loss per share for the year under review worked out to Rs.0.33 as compared to earning per share of Rs.0.37 for the corresponding period.

**STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

- (a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- (b) Proper books of account of the Company have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- (d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored.
- (f) There are no significant doubts upon the Company's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- (h) All taxes have been paid up-to date and nothing is outstanding.
- (i) The book value of investments made by the Employees' Provident Fund, being operated for head office employees only, is Rs.3,839,169/- as per audited financial statements of the Fund as on June 30, 2008.
- Mills employees are entitled to gratuity as per law and appropriate provision has been made in the financial statements.
- (j) We have prepared and circulated a statement of ethics and business strategy among directors and employees.
- (k) The board of directors has adopted a mission statement and a statement of overall corporate strategy.
- (l) As required by the Code of Corporate Governance, we have included the following information in this report:
- Statement of pattern of shareholding
 - Statement of shares held by associated undertakings and related parties
 - Statement of the board meetings held during the year and attendance by each director
 - Key operating and financial statistics for last six years

ACKNOWLEDGMENT

The directors wish to thank the bankers of the Company for their support in extending required financing facilities during the year. The directors also wish to place on record their appreciation for hard work and dedicated services rendered by the employees of the Company during the year.

By order of the Board

Karachi
October 07, 2009

S.M. IDRESS ALLAWALA
Chairman/Director

STATEMENT OF BOARD MEETINGS & ATTENDANCE

During the year under review, nine Board meetings were held and have been attended as follows:

Name of Director	Meetings Attended	Name of Director	Meetings Attended
Mr. S. M. Idrees Allawala	09	Mr. Naeem Idrees Allawala	09
Mr. Imran Idrees Allawala	09	Mr. Muhammad Israil	09
Mr. Mansoor Idrees Allawala	09	Mrs. Saba Kamran	09
Mr. Kamran Idrees Allawala	09		

	2004	2005*	2006	2007	2008	2009
Sales	730,213,291	543,982,240	509,633,593	613,280,389	864,805,318	751,715,779
Cost of goods sold	(687,050,803)	(489,160,786)	(410,717,990)	(496,240,947)	(710,127,712)	(635,400,434)
Gross Profit	43,162,488	54,821,454	98,915,603	117,039,442	154,677,606	116,315,345
Other operating income	26,226,039	37,375,822	13,855,416	10,637,996	6,778,107	36,775,703
	69,388,527	92,197,276	112,771,019	127,677,438	161,455,713	153,091,048
Distribution Cost	(2,988,035)	(2,842,572)	(3,400,620)	(3,678,410)	(3,251,543)	(1,207,524)
Administration expenses	(16,720,278)	(14,321,210)	(19,601,938)	(24,003,108)	(36,443,279)	(22,831,004)
Other operating expenses	(990,781)	(4,013,971)	(3,724,114)	(4,806,715)	(4,725,240)	(647,337)
Finance cost	(29,878,165)	(38,023,962)	(60,490,469)	(68,859,966)	(90,925,540)	(142,607,962)
	(50,577,259)	(59,201,715)	(87,217,141)	(101,348,199)	(135,345,602)	(167,293,827)
Waved on rescheduling of loans	48,084,776	-	-	-	-	-
Profit/ (Loss) before taxation	66,896,044	32,995,561	25,553,878	26,329,239	26,110,111	(14,202,779)
Provision for taxation - prior	(717,928)	-	-	36,731	(13,459)	49,669
- current	(4,130,000)	(3,353,000)	(3,095,806)	(3,771,699)	(4,378,232)	(3,063,413)
- deferred	4,940,653	(2,715,620)	9,387,363	(1,466,431)	(15,051,030)	11,265,617
	92,725	(6,068,620)	6,291,557	(5,201,399)	(19,442,721)	8,251,873
Profit/ (Loss) after taxation	66,988,769	26,926,941	31,845,435	21,127,840	6,667,390	(5,950,906)
Earning / (Loss) per share	3.71	1.49	1.76	1.17	0.37	(0.33)

* Nine months period ending on June 30, 2005





This statement is being presented to comply with the Code of Corporate Governance contained in relevant Listing Regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited 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 director and directors representing minority interest on its Board of Directors. At present the Board includes three non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All Directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFC. None of the directors of the company are members of any stock exchange.
4. There was no casual vacancy occurred during the year.
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 vision / mission statement, over all corporate strategy and significant policies of the Company which have been approved by the Board. 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 by the Board.
8. The meetings of Board were presided over by the Chairman. The Board held 09 meetings during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Directors have been made aware of the Listing Regulations of the Stock Exchange, the Company's Memorandum and Articles of Association and the Code of Corporate Governance. The Directors are therefore well conversant with their duties and responsibilities. The directors have confirmed that they have kept themselves abreast with the latest development in the Code of Corporate Governance with respect to their responsibilities.
10. No new appointment of CFO, Company Secretary or Head of Internal Audit has been made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



12. The Financial Statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of three members of whom two are non-executive directors. Chairman of the audit committee is an executive director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Company as required by the Code. Six meetings of the audit committee were held during the year. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. All related party transactions have been reviewed and approved by the Board, and are carried out on agreed terms and conditions.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of
Directors

Karachi
October 07, 2009

IMRAN IDREES ALLAWALA
Chief Executive Officer



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 The Idrees Textile Mills Limited (the Company) to comply with the Listing Regulations of the respective stock exchanges, where the Company is listed.

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

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

Further, Sub - Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before 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 undertaken at arm's length price or not.

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

Chartered Accountants

Place: Karachi

October 07, 2009



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

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

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

- a) in our opinion, proper books of 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).

Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Karachi
October 07, 2009

BALANCE SHEET

As at June 30, 2009



	Note	2009 Rupees	2008 Rupees
SHARE CAPITAL AND RESERVES			
Authorized 22,000,000 (2008 : 22,000,000) Ordinary shares of Rs.10/= each		220,000,000	220,000,000
Issued, subscribed and paid up	3	180,480,000	180,480,000
Unappropriated profit		126,152,386	118,234,342
		306,632,386	298,714,342
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
	4	295,192,500	294,868,743
NON-CURRENT LIABILITIES			
Long-term financing			
From banking companies	5	69,125,000	97,632,521
From related parties	6	100,330,001	100,330,001
		169,455,001	197,962,522
Liabilities against assets subject to finance lease	7	30,685,856	60,800,427
Deferred income	8	2,590,866	6,952,606
Deferred liabilities	9	178,324,190	200,572,561
CURRENT LIABILITIES			
Trade and other payables	10	122,062,058	317,200,334
Interest / mark-up accrued	11	27,830,427	21,870,759
Short term borrowings	12	514,506,216	435,926,095
Current portion of long-term finance	5	101,028,296	95,876,369
liabilities against assets subject to finance lease	7	63,139,365	36,839,444
Taxation - income tax		13,205,460	11,245,739
		841,771,822	918,958,740
CONTINGENCIES AND COMMITMENTS			
	13	1,824,652,621	1,978,829,941

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



	Note	2009 Rupees	2008 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	14	955,593,007	1,020,024,275
Long-term deposits	15	11,766,551	27,710,347
CURRENT ASSETS			
Stores, spares and loose tools	16	19,828,769	24,569,037
Stock-in-trade	17	490,089,690	489,161,250
Trade debts	18	268,811,794	295,769,585
Loans and advances	19	17,401,024	12,789,214
Deposits and short term prepayments	20	22,092,199	1,544,425
Other receivables	21	8,288,596	5,734,205
Cash and bank balances	22	30,780,991	101,527,603
		857,293,063	931,095,319
		<u>1,824,652,621</u>	<u>1,978,829,941</u>

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT

For the Year ended June 30, 2009



	Note	2009 Rupees	2008 Rupees
Sales	23	751,715,779	864,805,318
Cost of sales	24	(635,400,434)	(710,127,712)
Gross profit		116,315,345	154,677,606
Other operating income	25	36,775,703	6,778,107
		153,091,048	161,455,713
Distribution cost	26	1,207,524	3,251,543
Administrative expenses	27	22,831,004	36,443,279
Other operating expenses	28	647,337	4,725,240
Finance cost	29	142,607,962	90,925,540
		167,293,827	135,345,602
(Loss) / profit before taxation		(14,202,779)	26,110,111
Taxation	30	8,251,873	(19,442,721)
(Loss) / profit for the year		(5,950,906)	6,667,390
Earnings per share - basic and diluted	31	(0.33)	0.37

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT

For the Year ended June 30, 2009



	2009 Rupees	2008 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(14,202,779)	26,110,111
Adjustments for :		
Depreciation	67,457,008	63,915,624
Deferred income	(4,814,887)	(5,321,658)
Provision for gratuity	5,881,537	5,042,290
Provision for doubtful other receivable (including charge for Central Excise Duty)	-	12,815,650
Provision for doubtful debts	-	158,393
Provision for stores, spares and loose tools	-	156,580
Liabilities written back	50,001	-
Loss on sale of property, plant and equipment	5,873	486,150
Finance cost	142,607,962	90,925,540
	<u>196,984,715</u>	<u>194,288,680</u>
(Increase) / decrease in current assets		
Stores, spares and loose tools	4,740,268	2,897,899
Stock-in-trade	(928,440)	(160,919,493)
Trade debts	26,957,791	(74,641,559)
Loans and advances	(829,514)	(478,422)
Deposits and short-term prepayments	494,172	2,514,180
Other receivables	(2,554,391)	6,220,200
Increase / (decrease) in current liabilities		
Trade and other payables	(194,930,008)	191,086,332
	<u>(167,050,122)</u>	<u>(33,320,863)</u>
Cash generated from operations	29,934,593	160,967,817
Finance cost paid	(136,648,294)	(87,659,589)
Gratuity paid	(2,671,584)	(4,206,418)
Income tax paid	(4,836,319)	(4,093,200)
	<u>(114,221,604)</u>	<u>65,008,610</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,577,466)	(13,938,251)
Proceeds on disposal of property, plant and equipment	36,014,000	12,000,000
Long-term deposits	(5,098,150)	(2,293,405)
	<u>29,338,384</u>	<u>(4,231,656)</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing obtained	53,000,000	-
Repayment of long-term financing	(76,355,594)	(107,417,575)
Short-term borrowings	78,580,121	123,560,674
Repayment of finance lease liability	(40,829,650)	(36,845,329)
Dividend paid	(258,269)	(4,109,510)
	<u>14,136,608</u>	<u>(24,811,740)</u>
Net cash from / (used in) financing activities	14,136,608	(24,811,740)
Net (decrease) / increase in cash and cash equivalent (A+B+C)	(70,746,612)	35,965,214
Cash and cash equivalents at the beginning of the year	101,527,603	65,562,389
Cash and cash equivalents at the end of the year	<u>30,780,991</u>	<u>101,527,603</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

For the Year ended June 30, 2009



	Issued, subscribed and paidup Capital	Unappropriated profit	Total
 Rupees		
Balance as at June 30, 2007	180,480,000	107,280,877	287,760,877
Changes in equity for the year 2008			
Profit for the year	-	6,667,390	6,667,390
Realization of revaluation surplus on disposal of property, plant and equipment - net of deferred tax	-	155,394	155,394
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	9,627,301	9,627,301
Total recognised income and expense for the year ended June 30, 2008	-	16,450,085	16,450,085
Final cash dividend for the year ended June 30, 2007 @ Re. 1 per ordinary share	-	(5,496,620)	(5,496,620)
Balance as at June 30, 2008	180,480,000	118,234,342	298,714,342
Changes in equity for the year 2009			
Loss for the year	-	(5,950,906)	(5,950,906)
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	13,868,950	13,868,950
Total recognised income and expense for the year ended June 30, 2009	-	7,918,044	7,918,044
Balance as at June 30, 2009	180,480,000	126,152,386	306,632,386

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



1. GENERAL INFORMATION

- 1.1 Idrees Textile Mills Limited (the Company) was incorporated in Pakistan as an unquoted public limited company on June 05, 1990 under the Companies Ordinance, 1984 and was listed on Karachi and Lahore Stock Exchanges on April 28, 1992. The registered office of the Company is situated at 6-C, Ismail Centre, 1st floor, Central Commercial Area, Eshadurabad, Karachi-74800. The principal activity of the Company is manufacturing and sale of yarn and fabric. The Company's manufacturing facility is located at Kot Shah Muhammad, District Nankana, Punjab.

2. SIGNIFICANT ACCOUNTING POLICES

2.1 Statement of compliance

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

2.2 Adoption of new International Financial Reporting Standards

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of July 01, 2008:

Standards or interpretation	Effective date (accounting periods beginning on or after)
- IFRS 7 - Financial Instruments: Disclosures	April 28, 2008
- IFRIC 12 - Service Concession Arrangements	January 01, 2008
- IFRIC 13 - Customer Loyalty Programs	July 01, 2008
- IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2008

Adoption of these standards and interpretations did not have any material effect on the financial statements of the Company except for certain additional disclosures in respect of IFRS 7 included in the relevant notes to the financial statements.

2.3 New accounting standards and interpretations that are not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective revised standard and interpretation:

Standards or interpretation	Effective date (accounting periods beginning on or after)
- IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
- IAS 23 - Borrowing Costs (Revised)	January 01, 2009
- IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 01, 2009
- IFRS 3 - Business Combinations (Revised)	July 01, 2009
- IFRS 8 - Operating Segments	January 01, 2009
- IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	October 01, 2008
- IFRIC 17 - Distributions of Non-cash Assets to Owners	July 01, 2009
- IFRIC 18 - Transfer of Assets from Customers	July 01, 2009

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and / or enhancements in the presentation and disclosures of financial statements.



2.4 Basis of preparation

These financial statements have been prepared under historical cost convention except that property, plant and equipment are stated at revalued amounts and certain employee retirement benefits are stated at present value.

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.5 Staff retirement benefits

Defined benefit plane

The Company operates an unfunded gratuity scheme covering all its factory workers who have completed the minimum qualifying period of service as defined under the scheme. The Company recognizes the expense and liability on the basis of actuarial recommendation in accordance with IAS-19 "Employee Benefits". The most recent actuarial valuation was carried out as at June 30, 2008 using "Projected Unit Credit Method".

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceed 10% of the present value of the Company's obligation are amortised over the average expected remaining working lives of the employees.

Defined contribution plane

The Company operates an approved funded contributory provident fund scheme for all head office staff. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% of basic salary per annum.

2.6 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effect on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized for all deductible temporary differences and for unused tax losses, if any, to the extent that it is probable that future taxable profits will be available against which such temporary differences and tax losses can be utilized.

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

2.7 Property, plant and equipment

Owned

Property, plant and equipment except capital work-in-progress are stated at revalued amounts less accumulated depreciation and impairment, if any. Capital work-in-progress is stated at cost less impairment, if any. Depreciation is charged to income applying the straight line method over its estimated useful life at the rates specified in note 14.1.



In respect of additions and disposals of assets during the year, depreciation is charged from the month the asset is available for use and upto the month preceding the disposal respectively.

Gains or losses on disposal of assets, if any, are recognized in profit and loss account as and when incurred.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to unappropriated profit.

All expenditures connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

Assets subject to finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

2.8 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Deferred income on sale and lease back

Deferred income represents the excess of sales proceed over the carrying amount of property, plant and equipment sold under sale and leaseback arrangement that resulted in finance lease. The excess is being amortized over the lease term of the assets.

2.9 Stores, spares and loose tools

These, except for items-in-transit, are valued at moving average cost less allowance for obsolete and slow moving items. Items-in-transit are stated at invoice value plus other charges incurred thereon upto the balance sheet date.

2.10 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value.

Cost signifies in relation to:

Raw material	At weighted average cost
Stock-in-transit	At cost incurred upto balance sheet date
Work-in-process and finished goods	At average manufacturing cost
Waste stock	At net realizable value.

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



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

2.11 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

2.12 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost using the effective interest rate method.

2.13 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

2.14 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the financial statements if, and only if, there is a legally enforceable right to set-off the recognised amounts and there is an intention either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2.15 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset (if any), are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.16 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those



assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditures on qualifying assets is deducted from borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in profit and loss account in the period in which they are incurred.

2.17 Foreign currency translations

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Gains and losses arising on retranslation are included in profit and loss account.

2.18 Provisions

Provisions are recognized in the balance sheet when the Company has a present 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 obligation, and a reliable estimate can be made to the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.19 Revenue recognition

Sales of goods are recognized when the goods are delivered and title has passed, i.e., when the significant risks and rewards of ownership have been transferred to the customer.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

2.20 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are declared and approved.

2.21 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and balances with banks in current and term deposit accounts.

2.22 Critical judgments and accounting estimates in applying the accounting policies

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgements were exercised in application of policies are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2009



- Provision for retirement benefits (note 2.5 and 9.1)
- Useful life and residual value of property, plant and equipment (note 2.7 and 14)
- Other provisions (note 2.9, 2.10, 2.11, 2.15, 2.18, 10, 16, 18, 21)
- Provision for taxation (note 2.6, 9.2, 30)

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2009	2008		2009 Rupees	2008 Rupees
Number	Number			
of shares				
		Ordinary shares of Rs. 10 each fully paid		
18,048,000	18,048,000	in cash	180,480,000	180,480,000

3.1 Following shares were held by the associates of the Company as at balance sheet date:

	2009 Number of ordinary shares of Rs. 10 each	2008 Number of ordinary shares of Rs. 10 each
Shama Enterprises	1,044,000	1,044,000
Bilal Oair Textile Mills (Private) Limited	300,000	300,000
	1,344,000	1,344,000

4. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax

This represents surplus over book values resulting from the revaluation of property, plant and equipment carried out in 1996, and on June 30, 2006 by M/s Consultancy Support and Services, adjusted by surplus realized on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation.

	Note	2009 Rupees	2008 Rupees
Surplus on revaluation of property, plant and equipment			
as at the beginning of the year		436,795,813	451,846,113
Transferred to unappropriated profit on account of:			
- incremental depreciation - net of deferred tax		(13,868,950)	(9,627,301)
- disposals - net of deferred tax		-	(155,394)
- related deferred tax liability		(6,377,693)	(5,267,605)
		(20,246,643)	(15,050,300)
Surplus on revaluation of property, plant and equipment as at June 30		416,549,170	436,795,813
Related deferred tax liability on:			
Revaluation as at the beginning of the year		141,927,070	132,475,208
Adjustment due to income subject to FTR		(14,192,707)	14,719,467
Transferred to profit and loss account on account of:			
- incremental depreciation - net of deferred tax		(6,377,693)	(5,183,932)
- disposal - net of deferred tax		-	(83,673)
		121,356,670	141,927,070
		295,192,500	294,868,743



5. LONG-TERM FINANCING - FROM BANKING COMPANIES

Secured		2009 Rupees	2008 Rupees
Term finance:			
Soneri Bank	5.1	79,062,500	100,625,000
Bank Alfalah	5.2	53,000,000	-
Demand finance	5.3	22,292,197	71,844,601
Frozen markup	5.4	15,798,599	21,039,289
		<u>170,153,296</u>	<u>193,508,890</u>
Current Portion			
Term finance		(62,937,500)	(28,750,000)
Demand finance		(22,292,197)	(46,087,080)
Frozen markup		(15,798,599)	(21,039,289)
		<u>(101,028,296)</u>	<u>(95,876,369)</u>
		<u>69,125,000</u>	<u>97,632,521</u>

5.1 The term finance carries markup at the rate of 6 months KIBOR plus 2.5% (2008: 6 months KIBOR plus 2.5%) per annum payable quarterly. The facility is repayable in 5 years and is secured by pari passu charge on fixed assets of the Company to the extent of Rs. 200 million.

5.2 The term finance carries markup at the rate of 3 months KIBOR plus 2% per annum payable quarterly. The facility is repayable in 2 years and is secured by first pari passu charge on fixed assets of the Company to the extent of Rs. 150 million and personal guarantees of directors of the Company.

5.3 This facility carries markup at the rate of 6 months KIBOR plus 4% (2008: 6 months KIBOR plus 3% to 4%) per annum payable quarterly. The facility is repayable in three years and is secured by equitable mortgage charge on certain property amounting to Rs. 58.6 million and personal guarantees of three directors of the Company.

5.4 Frozen mark-up is secured against first equitable mortgage on fixed assets of the Company and shares and property of sponsors and personal guarantees of sponsor directors of the Company.

5.5 The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	2009 Rupees	2008 Rupees
6 months or less	<u>170,153,296</u>	<u>193,508,890</u>

5.6 Management considers that there is no significant non-compliance of agreements with financial institutions where the Company is exposed to penalties.

6. LONG-TERM FINANCING - FROM RELATED PARTIES

Unsecured	2009 Rupees	2008 Rupees
	<u>100,330,001</u>	<u>100,330,001</u>

6.1 These represent unsecured interest free loans obtained from directors and are not repayable within next twelve months.



7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent plant and machinery, electric installation and vehicles acquired under finance leases / ijara financing from leasing companies, modaraba and financial institutions. Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	2009		2008	
	Minimum lease payments	Present Value	Minimum lease payments	Present Value
Rupees			
Within one year	70,390,623	63,139,365	45,705,761	36,839,444
After one year but not more than five years	32,571,903	30,685,856	64,061,334	60,800,427
Total minimum lease payments	102,962,526	93,825,221	109,767,095	97,639,871
Less: Amount representing finance charges	9,137,305	-	12,127,224	-
Present value of minimum lease payments	93,825,221	93,825,221	97,639,871	97,639,871
Less: Current portion	(63,139,365)	(63,139,365)	(36,839,444)	(36,839,444)
	30,685,856	30,685,856	60,800,427	60,800,427

7.1 The rates of markup ranges from 14.99% to 19.96% (2008: 12.26% to 18.44%) per annum and are used as discounting factor. The lease terms are 3 to 3.5 years (2008: 3 to 4 years). The Company intends to exercise option to purchase the leased assets upon completion of the lease period. Liabilities are secured against demand promissory notes and security deposits.

7.2 The carrying value of assets held under finance lease approximates its fair value as the rate used for discounting is the rate implicit in the lease.

7.3 The exposure of the Company's liabilities under finance lease agreement is subject to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2009 Rupees	2008 Rupees
6 months or less	93,825,221	97,639,871

7.4 Management considers that there is no significant non-compliance of agreements with financial institutions where the Company is exposed to penalties.

	Note	2009 Rupees	2008 Rupees
8. DEFERRED INCOME			
Balance as at July 01		6,952,606	12,161,028
Profit on sale and lease back		453,147	113,236
		7,405,753	12,274,264
Less: Transferred to profit and loss account	25	(4,814,887)	(5,321,658)
Balance as at June 30		2,590,866	6,952,606



	Note	2009 Rupees	2008 Rupees
9. DEFERRED LIABILITIES			
Staff gratuity	9.1	10,312,934	7,102,981
Deferred taxation	9.2	168,011,256	193,469,580
		<u>178,324,190</u>	<u>200,572,561</u>
9.1 Staff gratuity			
Workmen	9.1.1 (b)	9,873,875	6,461,263
Non-workmen	9.1.2	439,059	641,718
		<u>10,312,934</u>	<u>7,102,981</u>
9.1.1 Workmen - Defined benefit plan			
(a) Charge for the year			
Current service cost		5,095,403	4,549,167
Interest cost		786,134	493,123
		<u>5,881,537</u>	<u>5,042,290</u>
(b) Movement in liability			
Balance at the beginning of the year		6,461,263	5,479,141
Charge for the year		5,881,537	5,042,290
Paid during the year		(2,468,925)	(4,060,168)
Liability as at June 30		<u>9,873,875</u>	<u>6,461,263</u>
(c) Reconciliation			
Present value of defined benefit obligation		9,873,875	6,551,114
Unrecognized actuarial loss		-	(89,851)
		<u>9,873,875</u>	<u>6,461,263</u>
(d) The principal assumptions used are as follows:			
		2009	2008
Discount rate		12%	12%
Expected rate of salary increase		11%	11%
Average expected remaining working life of employees		8 Years	8 Years



(e) Amount for the current and previous four periods are as follows:

	2009	2008	2007	2006	2005
Rupees.....				
Present value of the defined benefit obligation	(9,873,875)	(6,551,114)	(5,479,141)	(4,407,494)	(4,276,031)
Plan assets	-	-	-	-	-
Deficit	<u>(9,873,875)</u>	<u>(6,551,114)</u>	<u>(5,479,141)</u>	<u>(4,407,494)</u>	<u>(4,276,031)</u>

	Note	2009 Rupees	2008 Rupees
9.1.2 Non-workmen - Defined contribution plan			
At the beginning of the year		641,718	787,968
Paid during the year		(202,659)	(146,250)
As at June 30	9.1.2.1	<u>439,059</u>	<u>641,718</u>

9.1.2.1 This amount relates to the unfunded gratuity scheme for the head office staff which has now been discontinued as per the Company policy.

	2009 Rupees	2008 Rupees
9.2 Deferred taxation		
This comprises of the following:		
Deferred tax liability on taxable temporary differences arising in respect of:		
- property, plant and equipment	95,597,349	109,566,100
- surplus on revaluation of property, plant and equipment	121,356,670	141,927,070
	<u>216,954,019</u>	<u>251,493,170</u>
Deferred tax asset on deductible temporary difference arising in respect of:		
- trade debts	49,894	55,438
- stores and spares	49,323	54,803
- other receivables including provision for Central Exercise Duty	5,043,148	5,603,498
- gratuity	3,248,574	2,432,712
- deferred income	816,123	2,486,043
- Workers' Profit Participation Fund	-	1,548,349
- Workers Welfare Fund	329,798	362,067
- assessed brought forward losses	39,405,903	45,480,680
	<u>(48,942,763)</u>	<u>(58,023,590)</u>
	<u>168,011,256</u>	<u>193,469,580</u>



10. TRADE AND OTHER PAYABLES	Note	2009 Rupees	2008 Rupees
Creditors	10.1	13,665,888	13,135,303
Accrued liabilities		28,281,578	18,844,084
Letters of credit payable		2,019,605	98,466,553
Advances from customers		8,067,716	28,806,753
Workers' profit participation fund	10.2	-	4,423,854
Workers' welfare fund		1,046,978	1,046,978
Unclaimed dividend		2,359,292	2,617,561
Provident fund		126,144	127,024
Morabaha finance	10.3	61,608,300	145,232,224
Others		4,886,557	4,500,000
		122,062,058	317,200,334

10.1 Trade payables are non-interest bearing and are normally settled on 90-day terms.

	2009 Rupees	2008 Rupees
10.2 Workers' profit participation fund		
Balance as at July 01	4,423,854	6,504,221
Allocation during the year	-	1,772,392
Interest on fund utilized in Company's business	388,148	700,196
	4,812,002	8,976,809
Paid during the year	(4,812,002)	(4,552,955)
	-	4,423,854

10.3 This facility is available from a bank amounting to Rs. 75 million (2008: Rs. 200 million). This is secured against cash collateral or pledge of cotton / viscose fiber with 10% margin and third charge on Movables and fourth charge on receivables amounting to Rs. 220 million and personal guarantees of two directors of the Company. This carries markup at the rate of KIBOR plus 3.75% (2008: KIBOR plus 2%) per annum payable quarterly.

11. INTEREST / MARK-UP ACCRUED	Note	2009 Rupees	2008 Rupees
Long-term financing			
- from banking companies		6,792,408	3,698,628
Short-term borrowings		18,946,949	11,473,872
Morabaha finances		2,091,070	6,698,259
		27,830,427	21,870,759

12. SHORT-TERM BORROWINGS

From banking companies-secured			
Cash / pledge finances	12.1	197,851,178	224,555,064
Running finances	12.2	315,781,927	198,686,258
Book overdraft		873,111	12,684,773
		514,506,216	435,926,095

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2009



- 12.1** The cash and pledge finance facilities are available from various banks amounting to Rs. 295 million (2008: Rs. 280 million). These are secured against pledge of cotton, viscose fiber, first hypothecation charge on stock-in-trade and second charge on book debts of Rs. 135 million, equitable mortgage of properties of directors and personal guarantee of directors. These carry markup at the rates ranging from KIBOR plus 2% to 2.5% (2008: KIBOR plus 1.5% to 2%) per annum payable quarterly.
- 12.2** The running facilities are available from various banks amounting to Rs. 317 (2008: Rs. 245) million. These are secured against various assets including first pari passu hypothecation charge over present and future stock-in-trade amounting to Rs. 107 million, first hypothecation charge over present and future book debts upto Rs. 130 million, ranking charge on the stocks and receivables of the Company amounting to Rs. 50 million, equitable mortgage on various properties and personal guarantees of all directors of the Company. These facilities carry mark up at the rates ranging from KIBOR plus 2.5 to 3% (2008: KIBOR plus 2 to 2.5%) per annum payable quarterly. The FE-25 financing, a sub facility of abovementioned facilities, if availed, carries mark up at the rate of LIBOR plus 2% (2008: LIBOR plus 2%) per annum payable quarterly.
- 12.3** The exposure of the Company's short term borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Note	2009 Rupees	2008 Rupees
6 months or less		<u>514,506,216</u>	<u>435,926,095</u>

13 CONTINGENCIES AND COMMITMENTS

- 13.1** Letters of guarantees issued by banks on behalf of the Company
- | | Note | 2009
Rupees | 2008
Rupees |
|--|------|----------------|----------------|
| | 13.3 | 40,415,720 | 37,415,568 |
- 13.2 Commitments**
- | | | | |
|--|------|------------|-------------|
| Letters of credit for import of machinery | 13.3 | - | 1,668,001 |
| Letters of credit for import of cotton / viscose | 13.3 | 69,983,065 | 165,672,379 |
- 13.3** The Company has obtained facilities of Letter of Guarantees and Letter of Credits from various banks in the amounts of Rs. 58.96 million and Rs. 250 million respectively.

14. PROPERTY, PLANT AND EQUIPMENT

	Note	2009 Rupees	2008 Rupees
Operating assets	14.1	952,280,075	1,017,653,902
Capital work-in-progress	14.5	3,312,932	2,370,373
		<u>955,593,007</u>	<u>1,020,024,275</u>



14.1 Operating Assets

Particulars	Cost/Revaluation		Transfer	Cost/Revaluation		Accumulated			Written down value at June 30, 2009	Dep. Rate %
	at July 01, 2008	Additions/ (Disposal)		at June 30, 2009	Depreciation at July 01, 2008	Depreciation/ (Adjustment)	Transfer	Depreciation at June 30, 2009		
-----Rupees-----										
Owned assets										
Land - freehold	40,062,500	-	-	40,062,500	-	-	-	-	40,062,500	-
Factory building on freehold land	172,147,099	-	* 543,632	172,690,731	15,047,264	8,634,537	-	23,681,801	149,008,930	5
Labour colony	16,216,000	-	-	16,216,000	1,621,600	810,800	-	2,432,400	13,783,600	5
Plant and machinery	820,066,548	*** (37,748,870)	-	782,317,678	194,532,719	39,587,745	-	231,918,447	550,399,231	5
						(2,202,017)				
Electric installations	46,778,006	-	-	46,778,006	14,592,104	2,338,900	-	16,931,004	29,847,002	5
Factory equipment	11,762,571	-	-	11,762,571	1,766,643	588,128	-	2,354,771	9,407,800	5
Office equipment	7,755,085	12,000	-	7,767,085	7,062,888	** 692,595	-	7,755,483	11,602	10
Furniture and fixtures	3,594,062	-	-	3,594,062	2,195,996	359,406	-	2,555,402	1,038,660	10
Vehicles	17,511,376	79,275	** 3,126,000	20,678,911	7,275,742	4,009,479	2,410,553	13,677,907	7,001,004	20
		(37,740)				(17,867)				
	1,135,893,247	91,275	3,669,632	1,101,867,544	244,094,956	57,021,590	2,410,553	301,307,215	800,560,329	
		(37,786,610)				(2,219,884)				
Leased assets										
Plant and machinery	112,547,119	*** 36,000,000	-	148,547,119	6,936,877	** 6,977,357	-	13,914,234	134,632,885	5
Electric installations	14,000,000	-	-	14,000,000	602,459	1,400,000	-	2,002,459	11,997,541	10
Vehicles	10,465,473	1,015,000	** (3,126,000)	8,354,473	3,617,645	2,058,061	(2,410,553)	3,265,153	5,089,320	20
	137,012,592	37,015,000	(3,126,000)	170,901,592	11,156,981	10,435,418	(2,410,553)	19,181,846	151,719,746	
2009 Rupees	1,272,905,839	37,106,275	543,632	1,272,769,136	255,251,937	67,457,008	-	320,489,061	952,280,075	
		(37,786,610)				(2,219,884)				

* Represents transfer from capital work in progress to operating assets.

** Represents transfer from leased assets on maturity of leasing arrangements.

*** Represents sale and lease back arrangement.

Particulars	Cost/Revaluation			Cost/Revaluation			Accumulated			Written down value at June 30, 2008	Dep. Rate %
	at July 01, 2007	Additions/ (Disposal)	Transfer	at June 30, 2008	at July 01, 2007	Depreciation/ (Adjustment)	Transfer	at June 30, 2008			
-----Rupees-----											
Owned assets											
Land - freehold	40,062,500	-	-	40,062,500	-	-	-	-	40,062,500	-	
Factory building on freehold land	134,099,841	-	* 38,047,258	172,147,099	6,704,992	8,342,272	-	15,047,264	157,099,835	5	
Labour colony	16,216,000	-	-	16,216,000	810,800	810,800	-	1,621,600	14,594,400	5	
Plant and machinery	667,021,599	11,386,764 (12,475,764)	** 29,926,378 *124,207,571	820,066,548	152,949,926	39,729,561 (102,850)	** 1,956,082	194,532,719	625,533,829	5	
Electric installations	32,005,019	-	*14,772,987	46,778,006	12,356,130	2,235,974	-	14,592,104	32,185,902	5	
Factory equipment	11,762,571	-	-	11,762,571	1,178,514	588,129	-	1,766,643	9,995,928	5	
Office equipment	7,610,758	144,327	-	7,755,085	6,298,416	764,472	-	7,062,888	692,197	10	
Furniture and fixtures	3,594,062	-	-	3,594,062	1,836,590	359,406	-	2,195,996	1,398,066	10	
Vehicles	11,276,588	36,788	** 6,198,000	17,511,376	2,542,984	2,795,460	** 1,937,298	7,275,742	10,235,634	20	
	923,648,938	11,567,879 (12,475,764)	213,152,194	1,135,893,247	184,678,352	55,626,074 (102,850)	3,893,380	244,094,956	891,798,291		
Leased assets											
Plant and machinery	91,142,634	20,374,674	** (29,926,378) * 30,956,189	112,547,119	3,605,711	5,287,248	** (1,956,082)	6,936,877	105,610,242	5	
Electric installations	-	-	*14,000,000	14,000,000	-	602,459	-	602,459	13,397,541	10	
Vehicles	11,579,000	5,084,473	** (6,198,000)	10,465,473	3,155,100	2,399,843	** (1,937,298)	3,617,645	6,847,828	20	
	102,721,634	25,459,147	8,831,811	137,012,592	6,760,811	8,289,550	(3,893,380)	11,156,981	125,855,611		
2008 Rupees	1,026,370,572	37,027,026 (12,475,764)	221,984,005	1,272,905,839	191,439,163	63,915,624 (102,850)	-	255,251,937	1,017,653,902		

* Represents transfer from capital work in progress to operating assets.

** Represents transfer from leased assets on maturity of leasing arrangements.



Note	2009 Rupees	2008 Rupees
24	60,337,466	57,596,443
27	7,119,542	6,319,181
	<u>67,457,008</u>	<u>63,915,624</u>

14.2 Depreciation for the year has been allocated as under:

Cost of goods sold
Administrative expenses

14.3 The following assets were disposed off during the year:

Description	Cost/Revaluation	Accumulated Depreciation	Written down value	Sale proceed	Mode of disposal	Particulars of buyer
-----Rupees-----						
Vehicle	37,740	17,867	19,873	14,000	Negotiation	Mr. Tariq Mehmood, Marketing officer, P - 42, Jail Road, Islam Nagar, Faisalabad
16 Set of Complete Ring Spinning Frames	37,748,870	2,202,017	35,546,853	36,000,000	Sale and Leaseback transaction	Orix Leasing Pakistan Limited, Overseas Investors, Chamber of Commerce Building, Talpur Road, Karachi
June 30, 2009	<u>37,786,610</u>	<u>2,219,884</u>	<u>35,566,726</u>	<u>36,014,000</u>		
June 30, 2008	<u>12,475,764</u>	<u>102,850</u>	<u>12,372,914</u>	<u>12,000,000</u>		

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2009



14.4 Had there been no revaluation, the related figures of operating assets as at June 30, 2009 would have been as follows:

	2009		2008	
	Cost	Accumulated Depreciation	W.D.V.	W.D.V.
-----Rupees-----				
Land-freehold	8,772,600	-	8,772,600	8,772,600
Factory building on freehold land	133,655,055	(54,452,962)	79,202,093	84,631,234
Labour colony	15,134,513	(11,579,416)	3,555,097	4,045,456
Plant and machinery	809,941,923	(389,918,293)	420,023,630	455,090,832
Electric installations	44,499,062	(9,902,931)	34,596,131	36,035,859
Factory equipment	4,781,563	(2,548,836)	2,232,727	2,433,592
Office equipment	5,877,752	(5,820,977)	56,775	501,717
Furniture and fixtures	2,994,320	(2,994,320)	-	-
Vehicles	39,132,509	(38,756,426)	376,083	2,431,031
	<u>1,064,789,297</u>	<u>(515,974,161)</u>	<u>548,815,136</u>	<u>593,942,321</u>

	Note	2009 Rupees	2008 Rupees
14.5 Capital work-in-progress			
Civil work		<u>3,312,932</u>	<u>2,370,373</u>

15. LONG-TERM DEPOSITS

Deposits			
- lease		31,296,301	26,198,151
- others		1,824,793	1,824,793
		<u>33,121,094</u>	<u>28,022,944</u>
Less: Current portion	20	(21,354,543)	(312,597)
		<u>11,766,551</u>	<u>27,710,347</u>

16. STORES, SPARES AND LOOSE TOOLS

Stores		2,885,753	4,699,201
Spares		10,620,052	11,651,012
Stores and spares in transit		6,423,638	8,319,498
Loose tools		55,906	55,906
		<u>19,985,349</u>	<u>24,725,617</u>
Less: Provision for slow-moving items		(156,580)	(156,580)
		<u>19,828,769</u>	<u>24,569,037</u>



	Note	2009 Rupees	2008 Rupees
17. STOCK-IN-TRADE			
Raw material - in hand		255,227,022	327,472,271
- in transit		82,813,085	568,001
Work in process		18,421,527	13,576,126
Finished goods	17.1	127,377,032	142,465,194
Waste		6,251,024	5,079,658
		<u>490,089,690</u>	<u>489,161,250</u>

17.1 Finished goods of Rs. Nil (2008: Rs. 11,339,500) are carried at net realizable value.

	Note	2009 Rupees	2008 Rupees
18. TRADE DEBTS			
Considered good	18.1	268,338,513	295,516,465
Considered doubtful		631,674	411,513
		<u>268,970,187</u>	<u>295,927,978</u>
Less: Provision for doubtful debts		(158,393)	(158,393)
		<u>268,811,794</u>	<u>295,769,585</u>

18.1 Trade debts include an amount of Rs. 71.960 million (2008: Rs. 0.021 million) in respect of sale of raw material.

18.2 Trade receivables are non-interest bearing and are generally on 60 to 90 days terms.

18.3 Trade debts include debtors with a carrying amount of Rs. 11 million (2008: Rs. 106.6 million) which are past due at the reporting date for which the Company has not made any provision, as there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2009 Rupees	2008 Rupees
18.4 Aging of past due but not impaired		
90-180 days	120,211	106,453,294
180 days and above	10,895,142	231,377
	<u>11,015,353</u>	<u>106,684,671</u>
19. LOANS AND ADVANCES		
Considered Good		
Loan to employees - unsecured	322,800	157,000
Advances - unsecured		
for purchases	932,554	591,489
for expenses	860,152	537,503
	1,792,706	1,128,992
Income tax	15,285,518	11,503,222
	<u>17,401,024</u>	<u>12,789,214</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2009



	Note	2009 Rupees	2008 Rupees
20. DEPOSITS AND SHORT-TERM PREPAYMENTS			
Current portion of long-term deposits	15	21,354,543	312,597
Prepayments		737,656	1,231,828
		<u>22,092,199</u>	<u>1,544,425</u>

21. OTHER RECEIVABLES

Sales tax		3,600,426	3,755,506
Central excise duty on bank borrowings and lease finances	21.1	8,315,650	8,315,650
Export rebate		2,194,344	2,194,344
Margin against letters of guarantee		3,067,070	2,267,070
Cotton quality and weight claims		293,512	414,551
Short and delayed shipment charges		545	8,887
Profit on deposits		968,603	288,191
Mark-up subsidy	29.1	1,358,440	-
		19,798,590	17,244,199
Less: Provision for doubtful other receivables	21.2	(11,509,994)	(11,509,994)
		<u>8,288,596</u>	<u>5,734,205</u>

21.1 In early 1990's, the Federal Government levied excise duty on loans advanced by the banks, which was charged by banks to the borrowers. Accordingly, the Company was liable to pay Rs. 12.04 million. The borrowers and banks did not agree to the charge and preferred an appeal in the Sindh High Court and decision came in their favour. Subsequently, the Federal Government filed an appeal with the Supreme Court of Pakistan against the decision of the Sindh High Court. The Supreme Court gave the decision in 2008 in favour of the Federal Government due to which the amount of Rs. 12.5 million has been fully provided. The provision in excess of Rs.8.3 million is included in trade and other payables.

	Note	2009 Rupees	2008 Rupees
21.2 Balance as at July 1		11,509,994	3,194,344
Provision during the year		-	8,315,650
Balance as at June 30		<u>11,509,994</u>	<u>11,509,994</u>

22. CASH AND BANK BALANCES

Cash in hand		162,596	590,014
Cheques in hand		-	21,211,075
Cash at bank			
- in current accounts		10,129,836	61,970,738
- in term deposit accounts	22.1	20,488,559	17,755,776
		<u>30,780,991</u>	<u>101,527,603</u>



22.1 This represents term deposit receipts on account of guarantees provided by the banks for a period of six months to two years carrying mark-up at the rate of 8.5% to 12% (2008: 5.5% to 8.5%) per annum received on quarterly basis. The bank has a lien on these term deposit receipts.

	Note	2009 Rupees	2008 Rupees
23. SALES			
Local sales			
Yarn		683,240,397	760,385,774
Fabric		13,015,354	31,150,593
Waste		56,629,719	74,137,489
		752,885,470	865,673,856
Less: Brokerage, commission and discount		(1,169,691)	(868,538)
		<u>751,715,779</u>	<u>864,805,318</u>
24. COST OF SALES			
Raw material consumed	24.1	354,167,958	496,707,582
Packing material		12,149,689	11,345,595
Fabric processing cost		334,185	2,052,507
Stores and spares		24,589,460	27,493,193
Salaries, wages and benefits	24.2	70,369,990	72,020,835
Fuel and power		94,562,137	108,842,801
Insurance		5,212,863	5,214,447
Repairs and maintenance		2,014,726	2,122,767
Depreciation	14.2	60,337,466	57,596,443
Other manufacturing overheads		2,590,565	3,219,747
		272,161,081	289,908,335
		<u>626,329,039</u>	<u>786,615,917</u>
Work-in-process			
Opening stock		13,576,126	11,972,418
Closing stock		(18,421,527)	(13,576,126)
		<u>(4,845,401)</u>	<u>(1,603,708)</u>
Cost of goods manufactured		621,483,638	785,012,209
Finished goods			
Opening stock		147,544,852	72,660,355
Closing stock		(133,628,056)	(147,544,852)
		<u>13,916,796</u>	<u>(74,884,497)</u>
		<u>635,400,434</u>	<u>710,127,712</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2009



		2009 Rupees	2008 Rupees
24.1 Raw material consumed			
Opening stock		327,472,271	199,639,584
Purchases and purchase expenses		281,922,709	624,540,269
		<u>609,394,980</u>	<u>824,179,853</u>
Closing stock		(255,227,022)	(327,472,271)
		<u>354,167,958</u>	<u>496,707,582</u>
24.2 Salaries, wages and benefits includes Rs. 5.89 million (2008: Rs. 5.04 million) in respect of staff retirement benefits			
	Note	2009 Rupees	2008 Rupees
25. OTHER OPERATING INCOME			
Amortisation of deferred income	8	4,814,887	5,321,658
Liabilities written back		50,001	-
Profit on deposits		1,950,267	681,986
Sale of scrap		1,347,927	755,670
Operating profit on trading of raw material	25.1	<u>28,612,621</u>	<u>18,793</u>
		<u>36,775,703</u>	<u>6,778,107</u>
25.1 Operating profit on trading of raw material			
Local sales		270,228,731	41,000
Export sales		59,780,922	-
		<u>330,009,653</u>	<u>41,000</u>
Less: Cost of sales		(301,397,032)	(22,207)
		<u>28,612,621</u>	<u>18,793</u>
26. DISTRIBUTION COST			
Freight and octroi		898,995	751,187
Clearing and forwarding		97,879	177,780
Commission and other charges		210,650	2,322,576
		<u>1,207,524</u>	<u>3,251,543</u>
27. ADMINISTRATIVE EXPENSES			
Salaries and benefits	27.1	9,697,389	10,204,859
Traveling and conveyance		1,026,882	2,143,565
Printing and stationery		260,322	257,145
Postage and telephone		1,317,240	1,289,022
Electricity, gas and water		877,629	795,963
Legal and professional		264,700	236,320
Fees, subscription and periodicals		319,103	208,643
Rest house		148,193	161,231
Computer		11,050	21,501

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended June 30, 2009



	Note	2009 Rupees	2008 Rupees
Vehicles running and maintenance		913,601	1,300,595
Entertainment		29,390	98,455
Auditors' remuneration	27.2	367,533	297,700
Depreciation	14.2	7,119,542	6,319,181
Provision for doubtful other receivable (including charge for central excise duty)	21.1	-	12,815,650
Provision for doubtful debts		-	158,393
Advertisement		115,526	65,245
Donations	27.3	90,000	30,000
Repair and maintenance		109,316	-
Miscellaneous		163,588	39,811
		<u>22,831,004</u>	<u>36,443,279</u>

27.1 Salaries and benefits includes Rs. 0.48 million (2008: Rs. 0.51 million) in respect of staff retirement benefits.

	2009 Rupees	2008 Rupees
27.2 Auditors' remuneration		
Audit fee	225,000	195,000
Half year review fee	90,000	52,000
Other services	35,000	26,000
Out of pocket expenses	17,533	24,700
	<u>367,533</u>	<u>297,700</u>

27.3 No director or their spouse had any interest in the donees' fund.

	Note	2009 Rupees	2008 Rupees
28. OTHER OPERATING EXPENSES			
Workers' profit participation fund		-	1,772,392
Workers' welfare fund		-	610,428
Loss on sale of property, plant and equipment		5,873	486,150
Exchange loss		496,282	1,856,270
Export development surcharge		145,182	-
		<u>647,337</u>	<u>4,725,240</u>
29. FINANCE COST			
Mark-up / interest on:			
Long-term financing - from banking company	29.1	20,532,299	24,053,381
Short term borrowings		93,332,400	44,505,935
Finance lease arrangements		12,772,379	10,281,653
Morabaha finance		14,564,343	9,397,179
Bank charges, commission and other		1,018,393	1,987,196
Interest on workers' profit participation fund		388,148	700,196
		<u>142,607,962</u>	<u>90,925,540</u>



29.1 This amount includes mark-up subsidy of Rs. 4.55 million. Effective July 1, 2007, the Government had announced a mark-up rate subsidy of 3% to spinning mills on their outstanding running balances of principal amount of floating rate loans availed by the industry from commercial banks/DFIS for financing of import of spinning machinery vide SRO No. 973(I)2007 dated September 6, 2007. This subsidy was admissible on the principal amount of loans outstanding on reducing balance basis during each six monthly period ended on December 31, 2007 and June 30, 2008 and was to be paid by commercial bank/DFIs on six monthly basis in January 2008 and July 2008.

During the year, Government enhanced the period of mark-up rate subsidy from to two years from July 1, 2007 to June 30, 2009. The Subsidy for the period from January 1, 2008 to December 31, 2008 was paid in arch 2009 whereas subsidy for the six months period ending on June 30, 2009 is due to paid subsequent to year-end.

30. TAXATION	2009	2008
	Rupees	Rupees
Current	(3,063,413)	(4,378,232)
Prior	49,669	(13,459)
Deferred	11,265,617	(15,051,030)
	<u>8,251,873</u>	<u>(19,442,721)</u>

Current

The return of income for the tax year 2008, has been filed as per the provisions of section 120 of the Income Tax Ordinance, 2001. Under this section, when a complete return of income is filed with the Commissioner, it results in deemed assessment of taxable income / loss and tax payable / refundable on the date the return is filed. No proceedings have taken place for audit or otherwise by tax authorities for the above mentioned return filed with taxation authorities.

Current tax represents income tax under final tax regime, provided under section 154 and 169 of the Income Tax Ordinance, 2001. In view of available tax losses for the year, no provision for taxation has been made. Further, due to withdrawal of section 113 "Minimum Tax" of Income Tax Ordinance, 2001 through Finance Act 2008, no provision in respect of the same has been provided in these financial statements. Consequently, the relationship between tax expense and accounting profit has not been presented.

31. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company which is based on :-

		2009	2008
(Loss) / profit for the year	Rupees	<u>(5,950,906)</u>	<u>6,667,390</u>
Weighted average number of ordinary shares outstanding during the year	No. of shares	<u>18,048,000</u>	<u>18,048,000</u>
Earnings per share	Rupees	<u>(0.33)</u>	<u>0.37</u>

32. NON-CASH TRANSACTIONS

Additions to property, plant and equipment during the year amounting to Rs. 37.015 million (2008: Rs. 25.5 million) were financed by new finance leases.

33. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, key management personnel and post employment benefit plan. The Company, in the normal course of business, carries out transactions with various related parties. Long term loans obtained from directors are disclosed in note 6. Other significant transaction with the related party is as follows:



	2009 Rupees	2008 Rupees
Contribution to provident fund	481,053	506,220

34. REMUNERATION OF EXECUTIVES

Fourth Schedule of the Companies Ordinance, 1984 defines an executive as an employee whose basic salary exceeds Rs. 0.5 million in a financial year. During the year, there were no employees that met this definition.

	2009	2008
35. PLANT CAPACITY AND ACTUAL PRODUCTION		
Installed production capacity 20/s count - yarn in kgs.	14,795,745	14,093,577
Actual production during the year at 20/s count - yarn in Kgs.	11,761,725	11,565,409

It is difficult to describe precisely the production capacity and compare it with actual production in the textile industry since it fluctuates widely depending upon various factors such as count of yarn spun, spindles speeds, twist per inch, raw material used, etc.

36. FINANCIAL RISK MANAGEMENT

Financial instruments by category

The accounting policies for financial instruments have been applied for line items below:

	2009 Rupees	2008 Rupees
FINANCIAL ASSETS		
Loans and receivables		
Long term deposits	33,121,094	27,397,750
Trade debts	268,811,794	295,769,585
Loans and advances	322,800	157,000
Other receivables	4,329,730	2,978,699
Cash and cash bank balances	30,780,991	101,527,603
FINANCIAL LIABILITIES		
At amortised cost		
Long-term financing	277,275,705	297,537,519
Liabilities against assets subject to finance lease	93,825,221	97,639,871
Short-term borrowings	533,453,165	447,399,967
Trade and other payables	110,151,877	285,121,008

The Company has exposure to the following from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk



This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further, quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures.

- 36.1** The Company's principal financial instruments comprise long-term financing, liabilities against assets subject to finance lease, short-term borrowings, trade and other payables, trade debts, loans and advances, other receivables, cash and bank balances and short-term deposits that arrive directly from its operations.

The main financial risks that the company is exposed to and how they are managed are set out below:-

36.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk of the Company arises principally from the trade debts. 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	Rupees
Long-term deposits	33,121,094	28,022,944
Trade debts	268,811,794	295,769,585
Loans and advances	322,800	157,000
Other receivables	4,329,730	2,978,699
Cash and cash bank balances	30,780,991	101,527,603

Long-term deposits represents amount paid as security deposit for assets subject to finance lease and is refundable at the end of the lease term as per registered lease agreement with the lessor. Credit risk relating to trade debts is explained in more detail in note 36.2.1. Loans and advances are due from employees and are provided to employees considering balance available to the employees in the retirement benefit plan. Short-term other receivables consist of margin against letter of guarantees, cotton quality and weight claims, short and delayed payment charges, profit on deposits and mark-up subsidy income receivable. There has not been a significant change in the credit quality of these short-term receivables and the amounts will be recovered by the Company in due course.

Ratings of banks in which deposits are placed

Majority of bank balances are kept with National Bank of Pakistan, Habib Metropolitan Bank Limited and Emirates Global Islamic Bank. The details of the credit ratings of the above mentioned banks are described below:

Name of Bank	Short term rating	Long term rating	Rating Agency
National Bank of Pakistan	A-1+	AAA	JCR-VIS
Habib Metropolitan Bank	A1+	AA+	PACRA
Emirates Global Islamic Bank Limited	A2	A-	PACRA



36.2.1 Credit risk related to receivables

To reduce the exposure to credit risk, management continuously monitors the credit exposure towards the customers, limits significant exposure to any individual customer and obtains advance from customers in certain cases. The Company is not significantly exposed to concentration of credit risk.

Aging of past due but not impaired trade debts are disclosed in notes 18.4 to the financial statements.

36.3 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier or difficulty in raising funds to meet commitments associated with the financial liabilities as they fall due. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Within one year	1 - 3 years	More than 3 years	Total
----- Rupees -----				
2009				
Long-term financing	121,518,086	173,851,053	-	295,369,139
Liabilities against asset subject to finance lease	70,390,623	32,571,903	-	102,962,526
Short-term borrowings	611,966,814	-	-	611,966,814
Trade and other payables	110,151,877	-	-	110,151,877
	<u>914,027,400</u>	<u>206,422,956</u>	<u>-</u>	<u>1,120,450,356</u>

	Within one year	1 - 3 years	More than 3 years	Total
----- Rupees -----				
2008				
Long-term financing	116,981,983	223,246,578	-	340,228,561
Liabilities against asset subject to finance lease	45,560,073	64,207,022	-	109,767,095
Short-term borrowings	529,017,135	-	-	529,017,135
Trade and other payables	285,121,008	-	-	285,121,008
	<u>976,680,199</u>	<u>287,453,600</u>	<u>-</u>	<u>1,264,133,799</u>

36.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest/markup rate risk and other price risk. The exposure to these risks and their management is explained below:

36.4.1 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However, as at the balance sheet date, the Company is not materially exposed to foreign currency risk on assets and liabilities, as it does not have significant foreign currency denominated receivables or payables balances.



36.4.2 Interest / markup rate

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to risk of changes in market interest/markup rates relates primarily to the Company's long-term debt, finance lease obligations and short term borrowings with floating interest rates. Further, the Company is exposed to fixed interest bearing term deposit receipts. At the balance sheet date, the interest rate profile of the Company's interest bearing financial asset and liabilities is:

	2009 Rupees	2008 Rupees
Fixed rate instruments at carrying amount:		
Term deposit receipts	20,488,559	17,755,776
Variable rate instruments at carrying amount:		
Long-term financing	170,153,296	193,508,890
Liabilities against assets subject to finance lease	93,825,221	97,639,871
Short-term borrowings	514,506,216	435,926,095

36.4.3 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.

36.4.4 Cash flow sensitivity analysis for variable rate instruments

At June 30, 2009, if interest rates on the Company's aforementioned borrowings had been higher / lower by 100 basis points with all other variables held constant, loss for the year would have been higher / lower by Rs. 8.38 million (2008: Rs. 7.74 million). This analysis assumes that all other variables remain constant and it is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

36.4.5 Other price risk

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

36.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.



37. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The capital structure of the Company consists of share capital and reserves as well as debts of the Company. Share capital and reserves consist of share capital, capital reserve and unappropriated profit. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares. The Company's overall strategy remains unchanged from 2008.

The Company is not subject to any externally imposed capital requirements.

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on October 07, 2009

CHIEF EXECUTIVE

DIRECTOR

PATTERN OF SHAREHOLDING

As on June 30, 2009



NUMBER OF SHARE HOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
396	1	100	38,317
987	101	500	453,220
164	501	1000	159,700
155	1001	5000	418,600
23	5001	10000	193,100
16	10001	15000	200,000
27	15001	20000	511,800
14	20001	25000	327,500
9	25001	30000	263,500
10	30001	35000	326,200
4	35001	40000	156,500
4	40001	45000	169,283
1	45001	50000	50,000
6	50001	55000	308,016
5	55001	60000	297,200
4	60001	65000	256,912
1	65001	70000	70,000
23	70001	75000	1,721,412
36	75001	80000	2,867,408
2	80001	85000	163,500
1	85001	90000	85,500
1	95001	100000	100,000
1	115001	120000	118,500
1	120001	125000	121,400
1	125001	130000	125,900
2	160001	165000	325,500
1	180001	185000	181,000
1	220001	225000	220,500
1	295001	300000	300,000
1	310001	315000	314,500
1	360001	365000	364,980
1	375001	380000	375,588
1	390001	395000	391,000
1	400001	405000	405,000
1	465001	470000	468,000
1	610001	615000	611,700
1	6150001	620000	620,000
1	635001	640000	635,588
1	655001	660000	655,588
1	770001	775000	771,000
1	860001	865000	860,588
1	1040001	1045000	1,044,000
1,910			18,048,000

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Associated Companies, Undertaking	2	1,344,000	7.46
Directors, CFO & their Spouse & Children	10	5,049,832	27.97
Other Sponsors	70	5,172,148	28.66
Joint Stock Companies	12	29,750	0.16
Bank, Development Finance Institutions			
Insurance Companies, Modarabas and Mutual Fund	9	184,400	1.02
Shareholders Holding ten percent or more voting interest in the Company	-	-	
Individuals	1807	6,267,870	34.17
	1910	18,048,000	100.00



CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD	PERCENTAGE
Associated Companies, Undertaking and Related Parties	2		
Shama Enterprises		1,044,000	5.80
Bilal Omair Textile Mills (Pvt) Ltd.		300,000	1.66
Directors, CFO & their Spouse and Minor Children	10		
Mr. S. M. Idrees Allawala		468,000	2.59
Mr. Mansoor Idrees Allawala		931,500	5.16
Mr. Imran Idrees Allawala		672,088	3.72
Mr. Kamran Idrees Allawala		655,588	3.63
Mr. Naeem Idrees Allawala		860,588	4.77
Mr. Muhammad Israil		2,000	0.01
Mrs. Saba Kamran		375,588	2.08
Mrs. Naseema Bagum W/o S. M. Idrees Allawala		314,500	1.74
Mrs. Ambreen Mansoor W/o Mansoor Idrees Allawala		364,980	2.02
Mrs. Aisha Imran W/o Imran Idrees Allawala		405,000	2.25
Other Sponsors	70	5,172,148	28.66
Executive		-	
Joint Stock Companies	12	29,750	0.16
NIT & ICP		-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds	9	184,400	1.02
Shareholders Holding ten percent or more voting interest in the Company		-	-
Individuals	1,807	6,267,870	34.73
	1,910	18,048,000	100.00



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The Secretary
IDREES TEXTILE MILLS LTD.
Ismail Centre, 1st Floor,
6-C, Central Commercial Area,
Bahadurabad, Karachi - 74800

Folio No. _____

I/We _____
of _____
being a member of Idrees Textile Mills Ltd. hereby appoint _____
of _____
or failing _____
of _____

As my/our proxy in my/our absence to attend and vote for me/us on my/our behalf
at the 20th Annual General Meeting of the Company to be held on
Friday October 30, 2009 and at any adjournment thereof.

As witness my hand this _____ day of _____ 2009

Signed by the said _____

in the presence of _____

Signature on
Five Rupees
Revenue Stamp

Witness

Signature should agree with the specimen
Signature registered with the Company

(Important: This form of Proxy, duly completed and signed across a Rs. 5/-revenue stamp, must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting).

The following table shows the results of the experiment. The data indicates that the system is highly accurate and reliable, with a success rate of 98.5% across all trials. The results are consistent and show no significant variation in performance over time.