Scan

Gulistan
Spinning Mills Ltd.

Done

2009

22nd Annual Report

CONTENTS

22ND ANNUAL REPORT

2009

GULISTAN

SPINNING MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Abdul Shakoor (Chairman) Mr. Tanveer Ahmed (Chief Executive) Mr. Naseer Ahmed Mr. Sohail Maqsood Mr. Muhammad Abdullah Mr. Muhammad Younus Mr. Riaz Ahmed
AUDIT COMMITEE	Mr. Riaz Ahmed (Chairman) Mr. Sohail Maqood Mr. Muhammad Abdullah
CHIEF FINANCIAL OFFICER	Mr. Aaqib Rauf
COMPANY SECRETARY	Mr. Zameer Q. Siddiqui
AUDITORS	M/s. Mushtaq & Co. Chartered Accountants Karachi
LEGAL ADVISOR	M/s. Akhtar Javed - Advocate
TAX CONSULTANT	M/s. Sharif & Company - Advocate
BANKERS	United Bank Limited Habib Bank Limited National Bank of Pakistan Ltd.
SHARE REGISTRAR OFFICE	M/s. Hameed Majeed Associates (Pvt) Ltd. Karachi Chamber Hasrat Mohani Road Karachi Ph. 2424826, 2412754 Fax. 2424835
REGISTERED OFFICE	2nd Floor Finlay House I. I. Chundrigar Road Karachi
REGIONAL OFFICE	8 Aibak Block Garden Heights New Garden Town Lahore
MILLS	Jumber Khurd Tehsil Chunnian Distt. Kasur

CORPORATE VISION / MISSION STATEMENT

VISION

We aim at transforming Gulistan Spinning Mills Limited into a complete Textile unit to further explore international market of very high value products. Our emphasis would be on product and market diversification, value addition and cost effectiveness. We intend to fully equip the Company to acquire pioneering role in the economic development of the Country.

MISSION

The Company should secure and provide a rewarding return on investment to its shareholders and investors, quality products to its customers, a secured and environment friendly place of work to its employees and present itself as a reliable partner to all business associates.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Gulistan Spinning Mills Limited will be held on Thursday, 29 October 2009 at 11.00 A.M at Trading Hall, Karachi Cotton Association, Cotton Exchange Building, I.I. Chundrigar Road, Karachi to transact the following business:

1. To confirm the minutes of the preceding meeting of the shareholders.
2. To receive, consider and adopt the Annual Audited Accounts of the company for the year ended June 30, 2009 together with the Directors' and Auditors' Report thereon.
3. To approved 10% Bonus Shares to the Members of the Company The bonus shares so allotted shall rank pari passu in every respect with the existing shares.The aggregate of the fractions of shares arising on such allotment be sold and that the net proceeds thereof be donated to any registered charitable / welfare institution.
4. The board of directors based on the recommendation of the audit committee, recommend the re appointment of the retiring auditors M/s Mushtaq & Co. Chartered Accountants as the auditors of the Company for the year 2009-10 on such remuneration as fixed by the Chairman of the Company.
5. Any other matter with the permission of the Chairman.

Karachi
October 7th, 2009

By order of the board

Sd/-
Zameer Q. Siddiqui
Company Secretary

Notes:

1. The Register of Members of the Company will remain closed from 28-10-2009 to 31-10-2009 (both days inclusive). Transfer received in order at the office of Share Registrar of the company i.e. Hameed Majeed Associates (Pvt.) Ltd., 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi at the close of business on 27-10-2009 will be treated in time for the purpose of entitlement of Bonus Shares, if approved, in respect of the year ended 30th June 2009.
2. Proxies in order to be effective must be received duly completed in all respects by the Company at the Registered Office not less than 48 hours before the time for holding the meeting.
3. CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their National Identity Cards / Passport in original to prove his / her identity, and in case of Proxy must enclose an attested copy of his / her *NIC* or Passport. Representatives of corporate members should bring the usual documents required for such purpose
4. Members are requested to notify immediately for any change in their addresses to our Company's Share Registrar, M/s. Hameed Majeed Associates (Pvt.) Ltd.

Director's Report to Shareholders

The Directors of your Company are pleased to place their report together with the Auditor's Report and audited Financial Statements of the Company for the year ended June 30, 2009.

Economic Out look

Pakistan's real GDP grew by only 2% in FY09, lower than the 5.8% growth achieved in FY08.This GDP growth was lowest in about eight years. The slowdown in economic growth was a direct result of lower than targeted performance by the large scale manufacturing and service sectors. The large scale manufacturing showed contraction of 7.7% as against an expansion of 4% in FY08.The services sector only grew by 3.6% as against 6.6% growth in FY08. The economy faced severe blow on account of average 21% inflation recorded during the FY09.Such high level of inflation deteriorated buying power of consumers and resulted into substantial increase in cost of inputs. Since the start of current fiscal year, cost of doing business in Pakistan remained upward on account of depreciating rupee value, increasing fuel charges, frequent Gas and Electricity load shedding. However now Pakistan's economy has started to show signs of recovery and revival. The economy may recover as inflation is dropping, current account deficit is kept under control and foreign remittances are increasing. The foreign direct investment may also start picking up after recent country rating up gradation by Moody's and S&P and the inflow of IMF funds. However despite recent sharp decline in inflation, the State bank of Pakistan has so far only reduced the discount rate by 1%. The interest rate in Pakistan is highest in the region and is badly hurting the profitability and competitiveness of our businesses. The key risks and vulnerabilities right now being faced by the Economy are dependence upon IMF, political instability, law & order situation, load shedding, expensive power tariffs and high interest rates.

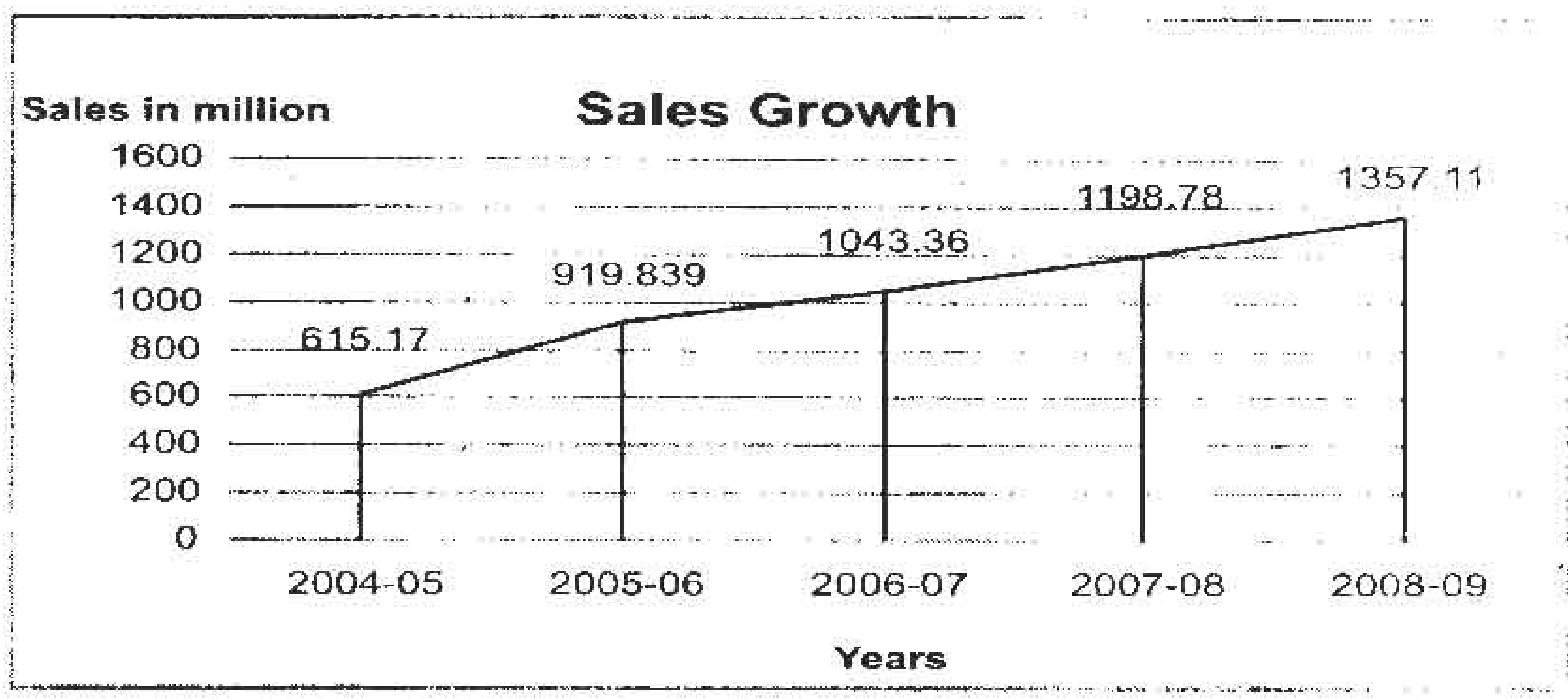
Textile Industry Outlook

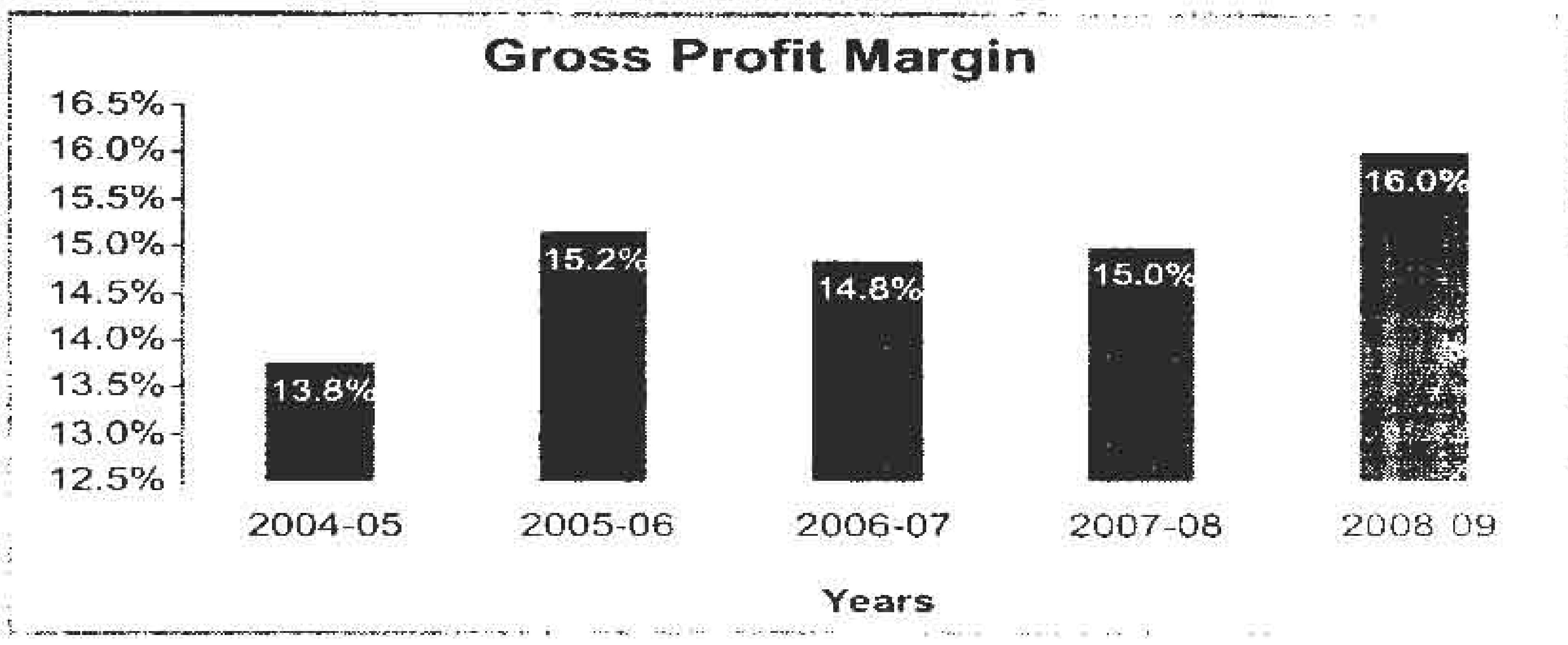
Textile sector is a backbone of our economy, contributing about 60% in total export, 46% in total manufacturing and 38% to employment. During year under review, profitability margins in this important sector remained under intense pressure due to soaring input costs on account of expensive cotton, higher wages and energy costs, rising interest rates and long hours of load shedding. Additional factor which aggravated the adverse condition was weak demand from USA and European Union on account of worst recession in these markets. While Pakistan's textile sector has been confronted with problems, like high cost of production and energy shortage, other players in the South Asia region have succeeded in increasing their market share and creating a niche in the international markets by exporting quality products. The higher financial cost also remained the key factor behind drop in sector profitability which resulted due to inventory pile up and higher interest rates.

Operating & Financial Performance

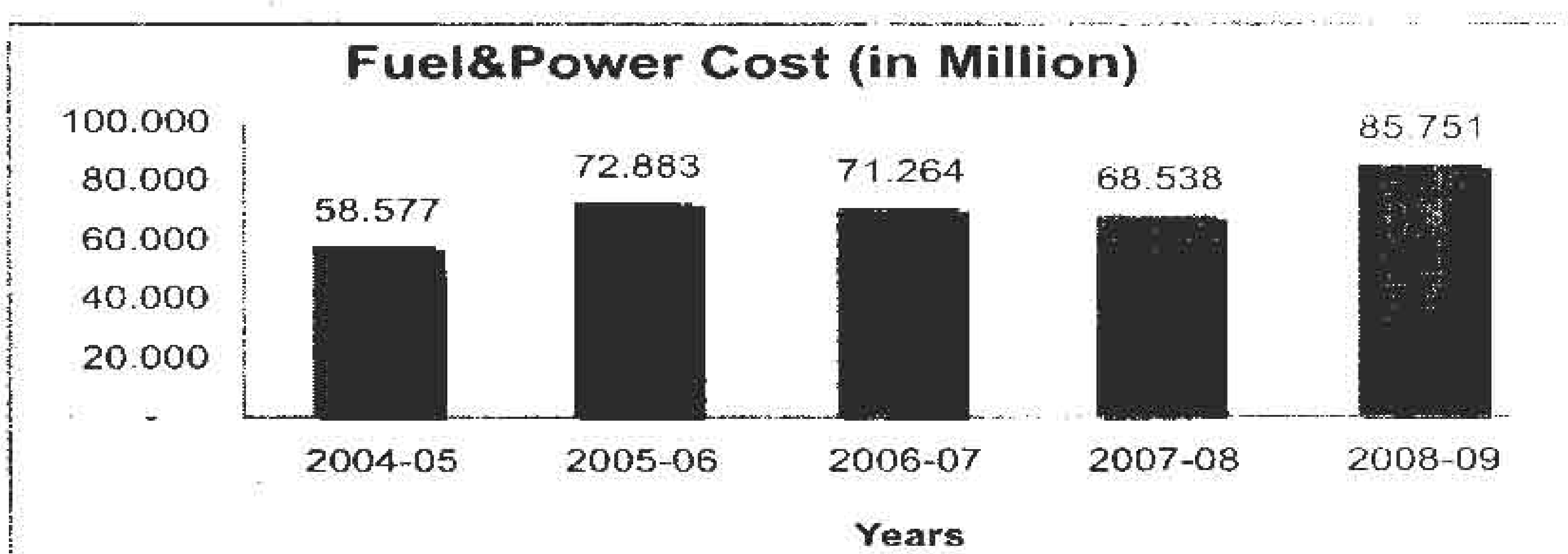
Inspite of Country's adverse economic and Textile outlook, the management of your Company succeeded in achieving positive results as depicted below:

Operating indicators	2009	2008	Variance (%)
	(Rupees)	(Rupees)	
Sales	1,355,677,063	1,198,784,642	13%
Gross Profit	219,548,605	180,063,549	22%
Financial cost	158,384,519	114,229,397	39%
Fuel & Power Cost	85,750,736	68,537,956	25%
Pre tax Profit	20,710,522	24,547,842	-15%
Provision for taxation	7,380,510	13,087,126	-43.6%
Profit after taxation	13,330,012	11,460,716	-4%
Earning per Share	**1.00**	**0.86**	


Sales Growth
Sales in million
1600
1400
1200
1000
800
600
400
200
0
615.17
919.839
1043.36
1198.78
1357.11
2004-05
2005-06
2006-07
2007-08
2008-09
Years


Gross Profit Margin
16.5%
16.0%
15.5%
15.0%
14.5%
14.0%
13.5%
13.0%
12.5%
13.8%
15.2%
14.8%
15.0%
16.0%
2004-05
2005-06
2006-07
2007-08
2008-09
Years


Operating Profit Margin
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
9.7%
11.4%
11.1%
11.0%
13.0%
2004-05
2005-06
2006-07
2007-08
2008-09
Years


Fuel&Power Cost (in Million)
100.000
80.000
60.000
40.000
20.000
-
58.577
72.883
71.264
68.538
85.751
2004-05
2005-06
2006-07
2007-08
2008-09
Years

During the year ended June 30, 2009, your company's net sales increased by 13% to Rs. 1355.677 million from Rs. 1198.784 million registered during last corresponding year. The Export sales during year under review have shown increase of 11% over exports sales during last corresponding period.

The gross profit increased to Rs 219.548 million in year under review from Rs 180.063 million of corresponding period. The company exercised strict control on operating expenses and such expenses remained at 4% of sales during period under review. Increased cost of borrowing and enhanced short term borrowings contributed toward 39% rise in financial cost over last year.

During the year, your Company's pre-tax profit dropped by 15% from 24.55 million in last year to Rs.20.71 million in year under review due to factors beyond the control of company management. These adverse factors include higher mark up rates, higher energy costs and consistent load shedding. Had these factors not been in place the company's profit would have not dropped.

Future Prospects

To predict future in current volatile economic scenario is really intricate. Pakistan's textile sector is facing acute uncertainty about its future due to the factors stated above. The Government until late 90's had been providing support to Textile Sector in the bad years with incentives and subsidies. Afterwards the Government literally left this important sector which has huge contribution in National economy to its fate and ignored its problems related to rising costs of doing business and consistent loss of competitiveness. This indifferent attitude resulted into drop in exports and loss of precious foreign exchange during recent years. This is evident from the drop of 9.4% in exports from $ 10.8 billion in FY08 to $ 9.78 billion during FY09. Recently Government announced 5 year textile policy wherein Government promised to take initiatives such as Textile Investment Support Fund (TISF), Technology up gradation Fund (TUF), Zero rating of exports, Market access and Market support. It is matter of concern that Government could not come up with SRO regarding this textile policy despite lapse of considerable time. Such announcements without implementation have been the main cause of uncertainty in recent times. We feel if government would implement the Textile policy in letter and spirit, it would bring much needed relief to this sector.

Despite of adverse circumstances, your management is striving hard to remain profitable through improving production efficiencies, cutting down costs, better inventory and optimal utilization of company's resources.

BMR

The management continues its sustained efforts for the production of quality products through process of continuous BMR and enhancement.

Corporate Governance

Your Company has been complying with the rules & regulations of Securities and Exchange Commission of Pakistan and has implemented better internal control policies with more rigorous checks and balances.

Audit Committee

The meetings of the Audit Committee of the Board of Directors were held during the period as per the requirements of the Code of Corporate Governance. The Audit Committee thoroughly reviews all financial statements before presenting to the Board.

Corporate and Financial Reporting Frame Work

The board is cognizant of its responsibilities as may be obligatory by the code of corporate governance and confirms that.

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

ii) Proper books of accounts of the company have been maintained

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

iv) International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

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

vi) There are no significant doubts upon the company's ability to continue as going concern

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

viii) All the directors of the Company are registered as taxpayers and none of the Company's directors are in default of payment of any dues to banking company, DFI, NBFI or Stock Exchanges.

ix) None of the directors of the Company are serving on the board of 10 or more listed Companies As required by the code of corporate governance we include the following information in this report.

1. Statement of Pattern of shareholding is annexed.

2. Statement of shares held by associated undertaking and related persons are annexed

3. Statement of Seven Board meetings held during the year and attendance by each director is as follows:

Name of Directors	No of Meeting Attended
Mr. Abdul Shakoor	4
Mr. Naseer Ahmed	7
Mr. Tanveer Ahmed	7
Mr. Muhammad Abdullah	7
Mr. N. R. Siddiqui - (Resigned w-e-f 06-12-2008)	2
Mr. Riaz Ahmed	6
Mr. Mohammad Younus	3
Mr. Sohail Maqsood	3

(Leave of absence on request was granted in case the directors who could not attend the Board meetings due to other pre-occupation)

4. Key operating & financial statistics for the last six years are annexed.

Appropriations

The Board has made the following appropriations during the year:

	2009 Rupees	2008 Rupees
Profit after taxation	13,330,012	11,460,715
Un-appropriated profit brought forward	97,267,911	97,907,196
Profit available for appropriation	110,597,923	109,367,911
Bonus Shares / Cash Dividend	13,310,000	12,100,000
Un-appropriated profit carried forward	97,287,923	97,267,911

The directors have recommended 10% Stock Dividend in the proportion of one share(s) for every ten shares held

Provision for Diminution

Following the policy of valuing investment at lower of cost and market price we report the loss to the extent of Rs. 20,884 for the year.

Related Party Transactions

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 determined as per the "comparable uncontrolled price method".

Trading in Company's Shares

During the year under review the trading in shares of the company by the Directors, chief executive officer, Chief financial officer, company secretary and their spouse and minor children is as follows:

Name	Opening Balance As on 01.07.2008	Purchases	Sale	Closing Balance As on 30.06.2009
Mr. N.R. Siddqui	605	Nil	605	Nil
Mr. Sohail Maqsood	Nil	500	Nil	500

Statement on Value of Staff Retirement Benefit

As on June 30, 2009 deferred liability for gratuity is Rs. 12.226 Million.

Auditors

The Board of Directors on the recommendation of Audit Committee recommended the appointment of present retiring auditors M/s Mushtaq & Co, Chartered Accountants for the year ended 30th June 2010 who being eligible have offered themselves for this appointment.

Acknowledgement

We take pleasure in expressing appreciation and thank all the employees and members of management team for their efforts, devotion and loyalty throughout the year. We would also like to acknowledge the support and cooperation received form valued customers, banks, leasing companies and Government Agencies for their support for their confidence and support during the period.

On behalf of the Board

KARACHI
Date: 07-10-2009

TANVEER AHMED
CHIEF EXECUTIVE

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

1. The Board comprises seven Directors including the Chief Executive Officer. The member of Executive Directors on Board are three.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI .

4. 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 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 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 the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranges orientation courses for its directors during the year to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.

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

17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the 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.

Karachi
07 October, 2009

TAVEER AHMED
Chief Executive

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

We have reviewed the Statement of Compliance with the Best Practices contained in the Code of Corporate Governance prepared by the Board of Directors of Gulistan Spinning Mills Limited to comply with the Listing Regulation No.35(Previosly 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 control and effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation No. 35 (previously Regultion 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 betweeen transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's lenght 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 complainace 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 transations 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
07 OCTOBER, 2009

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS
Engagement Partner:
Shahabuddin A. Siddiqui

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balane sheet of **Gulistan Spinning 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, evidance supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimate 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 accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied,

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

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with 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 the statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

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

(e) without qualifying our opinion, we report that direct expenses incurred on sales have been deducted from sales (refer to note 30) for presentation in profit and loss account. It has no effect on profit for the year.

KARACHI
07 OCTOBER, 2009

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS
Engagement Partner:
Shahabuddin A. Siddiqui

BALANCE SHEET
AS AT JUNE 30, 2009

	Note	2009	2008
		..............Rupees...........	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	**557,588,264**	568,324,857
Long term investments	6	**27,160,724**	24,273,968
Long term deposits	7	**9,991,235**	9,438,485
CURRENT ASSETS			
Stores, spare parts and loose tools	8	**27,867,262**	28,384,716
Stock in trade	9	**662,969,016**	573,366,195
Trade debts	10	**225,457,144**	189,960,771
Loans and advances	11	**79,563,965**	31,204,350
Trade deposits and short term prepayments	12	**1,961,494**	1,633,616
Mark up accrued	13	**1,070,846**	924,296
Tax refunds due from Government	14	**16,092,800**	8,702,594
Cash and bank balances	15	**58,775,532**	85,525,197
		1,073,758,059	919,701,735
Non - current assets classified as held for sale	16	**10,297,284**	-
		1,678,795,566	1,521,739,045
SHARE CAPITAL AND RESERVES			
Authorized share capital 15,000,000 (June 30, 2008: 15,000,000) ordinary shares of Rs. 10 each		**150,000,000**	150,000,000
Issued, subscribed and paid up share capital	17	**133,100,000**	121,000,000
Reserves	18	**24,894,925**	24,915,809
Unappropriated profit		**110,597,923**	109,367,911
		268,592,848	255,283,720
Surplus on revaluation of property, plant & equipment	19	**84,231,069**	78,229,066
Deferred income	20	**758,339**	1,137,508
NON CURRENT LIABILITIES			
Long term financing	21	**8,113,500**	167,729,250
Long term loan from director	22	**103,000,000**	-
Liabilities against assets subject to finance lease	23	**72,068,118**	88,337,740
Deferred liabilities	24	**21,636,578**	22,304,254
CURRENT LIABILITIES			
Trade and other payables	25	**74,445,326**	131,658,958
Mark up accrued on loans	26	**35,806,838**	23,793,447
Short term borrowings	27	**929,271,438**	698,460,457
Current portion of:			
Long term financing	21	**19,097,825**	24,100,900
Liabilities against assets subject to finance lease	23	**26,170,582**	30,703,745
Provision for taxation		**8,015,293**	-
		1,092,807,302	908,717,507
Liabilities directly associated with non - current assets classified as held for sale	28	**27,587,812**	-
CONTINGENCIES AND COMMITMENTS	29	-	-
		1,678,795,566	1,521,739,045

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

TANVEER AHMED
Chief Executive

NASEER AHMED
Director

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

	Note	2009	2008
		..........Rupees..........	
Sales - net	30	**1,355,677,063**	1,198,784,643
Cost of sales	31	**1,136,128,458**	1,018,721,094
Gross profit		**219,548,605**	180,063,549
Other operating income	32	**6,847,152**	7,669,297
		226,395,757	187,732,846
Distribution cost	33	**22,926,361**	21,696,402
Administrative expenses	34	**22,946,530**	20,711,349
Other operating expenses	35	**4,235,862**	7,535,491
Finance cost	36	**158,384,519**	114,229,399
		208,493,272	164,172,641
		17,902,485	23,560,205
Share of profit of associates		**2,808,037**	987,636
Profit before taxation		**20,710,522**	24,547,841
Taxation	37	**7,380,510**	13,087,126
Profit after taxation		**13,330,012**	11,460,715
Earnings per share - basic and diluted	38	**1.00**	0.86

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

TANVEER AHMED
Chief Executive

NASEER AHMED
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		..........Rupees..........	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		20,710,522	24,547,841
Adjustments for:			
Depreciation on property, plant and equipment		25,987,955	30,112,163
Provision for staff retirement benefits - gratuity		5,799,292	5,540,679
Share of profit of associates		(2,808,037)	(987,636)
Finance cost		158,384,519	114,229,399
Amortization of surplus on sale and lease back		(379,169)	(379,169)
Mark up accrued on loan to related party		(5,557,560)	(2,582,247)
Dividend income		(1,841)	(1,926)
Cash flows before changes in working capital		202,135,681	170,479,104
Changes in working capital	40	(233,009,555)	(178,978,335)
Cash used in operations		(30,873,874)	(8,499,231)
Finance cost paid		(135,365,605)	(107,717,713)
Staff retirement benefits paid - gratuity		(5,832,185)	(2,540,764)
Income taxes paid		(4,863,516)	(12,581,806)
		(146,061,306)	(122,840,283)
Net cash used in operating activities		(176,935,180)	(131,339,514)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(13,490,246)	(26,883,617)
Advance received against land classified as held for sale		27,587,812	-
Long term deposits		(552,750)	853,642
Mark up received on loan to related party		5,411,010	6,067,358
Dividend received		1,841	1,926
Net cash generated from / (used in) investing activities		18,957,667	(19,960,691)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan from director		103,000,000	-
Payment of long term financing		(164,618,825)	(24,195,850)
Proceeds from long term financing		-	40,000,000
Payment of liabilities against assets subject to finance lease		(37,964,308)	(30,560,260)
Payment of long term murabaha		-	(23,333,334)
Increase /(decrease) in short term borrowings		229,921,147	205,562,745
Net cash from financing activities		130,338,014	167,473,301
Net increase in cash and cash equivalents		(27,639,499)	16,173,096
Cash and cash equivalents at the beginning of year		85,332,833	69,159,737
Cash and cash equivalents at the end of year	42	57,693,334	85,332,833

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

TANVEER AHMED
Chief Executive

NASEER AHMED
Director

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

	Share capital	RESERVES		Reserve for issue of bonus shares	Unappropriated profit	Total
		Capital (note 18)	Fair value (note 18)			
	Rupees					
Balance as at July 01, 2007	**110,000,000**	**25,000,000**	**(80,366)**	**-**	**108,907,196**	**243,826,830**
Transfer for issue of bonus shares	-	-	-	11,000,000	(11,000,000)	-
Reserve for issue of bonus shares	-	-	-	(11,000,000)	-	(11,000,000)
Issue of 1,100,000 ordinary shares of Rs. 10 each fully paid as bonus shares	11,000,000	-	-	-	-	11,000,000
Effect of change in fair value of investments available for sale	-	-	(3,825)	-	-	(3,825)
Profit for the year	-	-	-	-	11,460,715	11,460,715
Balance as at June 30, 2008	121,000,000	25,000,000	(84,191)	-	109,367,911	255,283,720
Transfer for issue of bonus shares	-	-	-	12,100,000	(12,100,000)	-
Reserve for issue of bonus shares	-	-	-	(12,100,000)	-	(12,100,000)
Issue of 1,210,000 ordinary shares of Rs. 10 each fully paid as bonus shares	12,100,000	-	-	-	-	12,100,000
Effect of change in fair value of investments available for sale	-	-	(20,884)	-	-	(20,884)
Profit for the year	-	-	-	-	13,330,012	13,330,012
Balance as at June 30, 2009	**133,100,000**	**25,000,000**	**(105,075)**	**-**	**110,597,923**	**268,592,848**

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

TANVEER AHMED
Chief Executive

NASEER AHMED
Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 The company is limited by shares, incorporated in Pakistan on February 25, 1987 under the Companies Ordinance, 1984 as a public limited company and is quoted on stock exchanges at Karachi and Lahore. The registered office of the company is situated at 2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi in the province of Sindh, Pakistan.

1.2 The principal business of the company is manufacture and sale of yarn. The manufacturing unit is located at District Kasur 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 (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the company's functional and presentation currency and figures are rounded to the nearest rupee.

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 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 losses 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 acquire 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 acquire, 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 asses 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.

BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value, freehold land at revalued amount and recognition of certain staff retirement benefits at present 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 instruments

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, depreciation method, 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 contingencies

4. SIGNIFICANT ACCOUNTING POLICIES

The sigificant accounting policies adopted in the preparation of these finacial statemetns are se t out below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Property, plant and equipment - owned

Recognition
Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss. 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. Where the carrying amount of asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent that it reverses deficit on revaluation of the same assets previously recognized in profit or loss, in which case the surplus is credited to profit or loss to the extent of deficit previously charged to income. Deficit on revaluation of an item of property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any held in surplus on revaluation of property, plant and equipment relating to previous revaluation of that item. On subsequent sale or retirement of revalued item of property, plant and equipment the attributable surplus remaining in the surplus on revaluation of property, plant and equipment is transferred directly to unappropriated profit. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit through statement of changes in equity.

Depreciation

Depreciation on all items of property, plant and equipment except for freehold land is charged to income applying the reducing balance method so as to write off historical cost of an asset over its estimated useful life at the rates as disclosed in note 5.

The depreciation on additions to property, plant and equipment is charged from the date, the asset become available for use and in case of disposal, the depreciation charged till the date 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 asset) is included in the income statement in the year the asset is derecognized.

4.2 Accounting for leases and assets subject to finance lease

4.2.1 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.

4.2.2 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.

4.3 Non - current assets classified as held for sale

Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and depreciation on such assets to cease. Assets classified as held for sale and liabilities directly associated with the assets classified as held for sale to be presented separately in the balance sheet. Any impairment loss on reclassification recognized in profit and loss account. Any gain or loss on disposal recognized also in profit and loss account.

4.4 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.

4.5 Investments

4.5.1 Regular way purchase or sale of investments

All purchases and sales of investments are recognized using trade date accounting. Trade date is the date that the company commits to purchase or sell the investment.

4.5.2 Investments in equity instruments of associated companies

Associates are all entities over which the company has significant influence but not control. investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The company's share of its associate's post acquisition profits or losses is recognized in the income statement, and its share of post acquisition movements in reserves is recognized in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Distribution received from an associate reduce the carrying amount of the investment.

4.5.3 Available for sale investments

Investments which are classified as "available for sale" are stated at fair value. Gain or loss on available for sale investments are recognized directly in equity until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit and loss account. For investments that are actively traded in organized financial markets, fair value is determined with reference to stock exchange quoted market bids at the close of business on the balance sheet date.

All purchases and sales of investments are recognized on the trade date which is the date that the company commits to purchase or sell the investment. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in profit and loss account. Gain or loss arising from changes in the fair values of the "investments at fair value through profit or loss" category are presented in the profit and loss account in the period in which they arise.

At each reporting date , the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exist the recoverable amount is estimated in order to determine the extent of the impairment loss if any. Impairment losses are recognized as expenses. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognized in income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

4.5.4 Derecognition

All investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

4.6 Long term deposits

These are stated at cost which represents the fair value of consideration given.

4.7 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.

4.8 Stock in trade

These are valued at lower of cost and net realizable value except waste which is valued at net realizable value. Cost is determined as follows.

4.8.1 Raw material

In hand	Weighted average cost
In transit	Cost comprising invoice value plus other charges incurred thereon

4.8.2	Finished goods and work in process	Raw material cost plus appropriate manufacturing overheads
4.8.3	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.

4.9 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.

4.10 Cash and cash equivalents

Cash in hand, cash at bank and short term deposits, which are held to maturity, are carried at cost. For the purpose of cash flow statements, cash and cash equivalent comprise cash in hand, with banks on current accounts & deposit certificates and temporary overdrafts.

4.11 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.

4.12 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.

4.12.1 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.

4.12.2 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.

4.13 Trade and other payables

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

4.14 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, and it is probable that an out flow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.15 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.

4.16 Revenue recognition

Revenue is measured at fair value of the consideration receive or receivable and presents amount received or receivable for goods and services provided in the normal course of business.

Sale of goods are recognized when the goods are delivered and title has been passed.

Dividend income on investment is recognized when the right to receive the dividend have been established.
Mark up on loans to related parties and profit on saving accounts is accrued on time basis, by reference to the principal outstanding and at the effective profit rate applicable.

4.17 Foreign currencies

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.

4.18 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 o the consideration given and received respectively. These financial assets and liabilities are subsequent 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.

4.19 Offsetting of financial assets and liabilities

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

4.20 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.

4.21 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 (comparable uncontrolled price method) with the exception of loan taken from related parties which is interest / mark up free.

4.22 Government grants

Government grants for meeting revenue expenses are set off from respective expenses in the year in which they become receivable.

4.23 Research and development cost

Research and development cost is charged to profit and loss account in the year in which it is incurred.

4.24 Dividend

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

5 PROPERTY, PLANT AND EQUIPMENT

	Note	2009 Rupees	2008 Rupees
Operating assets	5.1	536,415,914	548,191,460
Capital work in progress	5.2	21,172,350	20,133,398
		557,588,264	568,324,858

5.1 Operating assets

	Owned assets											Leased assets			
	Freehold land	Building on freehold land	Plant and machinery	Electric installation	Factory equipment	Air conditioning plant	Telephone installation	Office equipment	Furniture and fixtures	Arms and ammunitions	Vehicles	Plant and machinery	Power house	Vehicles	Total
Cost															
Balance as at July 01, 2007	86,262,384	96,604,414	548,123,695	28,347,084	24,084,062	7,595,890	160,000	2,977,081	3,689,927	6,230	7,096,307	97,755,678	72,649,180	4,592,000	979,943,932
Additions during the year	-	14,855,920	4,948,416	1,657,497	3,752,304	-	-	880,300	396,790	-	-	-	-	-	26,491,227
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer / adjustments / reclassification	-	-	7,367,782	-	-	-	-	-	-	-	-	(7,367,782)	-	-	-
Balance as at June 30, 2008	86,262,384	111,460,334	560,439,893	30,004,581	27,836,366	7,595,890	160,000	3,857,381	4,086,717	6,230	7,096,307	90,387,896	72,649,180	4,592,000	1,006,435,159
Balance as at July 01, 2008	86,262,384	111,460,334	560,439,893	30,004,581	27,836,366	7,595,890	160,000	3,857,381	4,086,717	6,230	7,096,307	90,387,896	72,649,180	4,592,000	1,006,435,159
Additions during the year	-	-	7,937,164	3,219,181	1,037,968	-	-	33,500	17,800	-	205,680	-	-	6,156,000	18,607,293
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of property, plant & equipment	5,902,400	-	-	-	-	-	-	-	-	-	-	-	-	-	5,902,400
Transfer / adjustments / reclassification	(10,297,284)	-	13,929,831	-	-	-	-	-	-	-	3,143,000	(13,929,831)	-	(3,143,000)	(10,297,284)
Balance as at June 30, 2009	81,867,500	111,460,334	582,306,888	33,223,762	28,874,334	7,595,890	160,000	3,890,881	4,104,517	6,230	10,444,987	76,458,065	72,649,180	7,605,000	1,020,647,568
Depreciation															
Balance as at July 01, 2007	-	53,545,323	316,555,484	13,560,118	8,550,196	6,437,649	136,003	1,060,837	2,143,729	4,912	4,485,843	10,619,798	8,766,330	2,265,314	428,131,536
Charge for the year		3,631,481	11,939,984	768,067	1,680,556	115,824	2,400	266,985	181,030	132	522,093	4,149,989	6,388,285	465,337	30,112,161
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer / adjustments	-	-	3,231,689		-	-	-	-	-	-	-	(3,231,689)		-	
Balance as at June 30, 2008	-	57,176,804	331,727,157	14,328,185	10,230,752	6,553,473	138,403	1,327,822	2,324,759	5,044	5,007,936	11,538,098	15,154,615	2,730,651	458,243,699
Balance as at July 01, 2008	-	57,176,804	331,727,157	14,328,185	10,230,752	6,553,473	138,403	1,327,822	2,324,759	5,044	5,007,936	11,538,098	15,154,615	2,730,651	458,243,699
Charge for the year	-	2,714,176	12,251,778	840,054	1,836,157	104,242	2,160	254,951	176,201	119	667,014	3,404,126	2,874,728	862,249	25,987,955
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer / adjustments	-	-	3,162,544	-	-	-	-	-	-	-	1,979,121	(3,162,544)	-	(1,979,121)	-
Balance as at June 30, 2009	-	59,890,980	347,141,479	15,168,239	12,066,909	6,657,715	140,563	1,582,773	2,500,960	5,163	7,654,071	11,779,680	18,029,343	3,613,779	484,231,654
Written down value as at June 30, 2008	86,262,384	54,283,530	228,712,736	15,676,396	17,605,614	1,042,417	21,597	2,529,559	1,761,958	1,186	2,088,371	78,849,798	57,494,565	1,861,349	548,191,460
Written down value as at June 30, 2009	81,867,500	51,569,354	235,165,409	18,055,523	16,807,425	938,175	19,437	2,308,108	1,603,557	1,067	2,790,916	64,678,385	54,619,837	5,991,221	536,415,914
Rate of depreciation	-	5%	5%	5%	10%	10%	10%	10%	10%	10%	20%	5%	10%	20%	

5.1.1 Depreciation is allocated as follows

	Note	2009 Rupees	2008 Rupees
Cost of sales	33	24,027,540	28,676,716
Administrative expenses	34	1,960,415	1,435,445
		25,987,955	30,112,161

5.2 Capital work in progress

	2009	2008
Building on free hold land	21,172,350	18,447,813
Plant and machinery	-	1,685,585
	21,172,350	20,133,398

5.3 Had there been no revaluation the original cost and book value of revalued property, plant and equipment (freehold land) would have been Rs. 13,477,316 (June 30, 2008 : Rs. 13,477,316).

Freehold land were revalued as on December 31, 2008 by independent valuers M/S Consultancy Support and Services, Karachi. This valuation resulted in surplus on revaluation of property, plant and equipment amounting to Rs. 78,687,468 which was credited to surplus on revaluation of property, plant and equipment account to comply with the requirements of section 235 of Companies Ordinance, 1984. The valuation was based on fair value determined on present market value basis.

		Note	2009	2008
			..........Rupees..........	
6	**LONG TERM INVESTMENTS**			
	Equity instruments of associated companies	6.1	**27,139,279**	24,231,639
	Other investments	6.2	**21,445**	42,329
			27,160,724	24,273,968
6.1	**Equity instruments of associated companies - equity method**			
	Quoted companies			
	Gulistan Textile Mills Limited	6.1.1	**146,904**	140,419
	Gulshan Spinning Mills Limited	6.1.2	**457,009**	447,270
	Unquoted companies			
	Gulshan Weaving Mills Limited	6.1.3	**22,892,356**	20,081,160
	Gulistan Power Generation Limited	6.1.4	**3,643,010**	3,562,790
			27,139,279	24,231,639

6.1.1 Gulistan Textile Mills Limited

957 (June 30, 2008 : 890) shares of Rs.10 each
Equity held 0.0055 (June 30, 2008 : 0.0055) %

	2009	2008
Cost	**118,140**	118,140
Accumulated share of post acquisition profit	**22,279**	19,112
Share of profit for the year	**95**	3,167
Share of surplus on revaluation of property, plant & equip.	**6,390**	-
	28,764	22,279
	146,904	140,419

Summarized financial information of Gulistan Textile Mills Limited as at June 30, 2009 is set out below.

	2009	2008
Total assets	**9,267,980,306**	7,821,978,153
Total liabilities	**6,755,026,176**	5,289,664,517
Net assets	**2,512,954,130**	2,532,313,636
Company's share of associate's net assets	**146,904**	140,419
Sales - net	**5,245,328,111**	5,179,599,697
Profit for the year	**1,582,294**	52,791,520
Company's share of associate's profit for the year	**95**	3,167

6.1.2 Gulshan Spinning Mills Limited

7,806 (June 30, 2008 : 7,096) shares of Rs.10 each
Equity held 0.046 (June 30, 2008 : 0.046) %

	2009	2008
Cost	**262,925**	262,925
Accumulated share of post acquisition profit	**184,345**	162,432
Share of profit for the year	**2,022**	21,913
Share of surplus on revaluation of property, plant & equip	**7,717**	-
	194,084	184,345
	457,009	447,270

	2009	2008
	..................Rupees..................	

Summarized financial information of Gulshan Spinning Mills Limited as at June 30, 2009 is set out below.

	2009	2008
Total assets	**4,305,723,324**	3,601,229,111
Total liabilities	**3,319,408,287**	2,636,085,295
Net assets	**986,315,037**	965,143,816
Company's share of associate's net assets	**457,009**	447,270
Sales - net	**2,571,919,635**	2,187,166,571
Profit for the year	**4,395,707**	47,635,916
Company's share of associate's profit for the year	**2,022**	21,913

6.1.3 Gulshan Weaving Mills Limited

	2009	2008
778,900 (June 30, 2008 : 778,900) shares of Rs.10 each Equity held 3.64 (June 30, 2008 : 3.64) % Cost	**7,789,000**	7,789,000
Accumulated share of post acquisition profit	**12,292,160**	11,076,916
Share of profit for the year	**2,771,594**	1,215,244
Share of surplus on revaluation of property, plant and equipment	**39,602**	-
	15,103,356	12,292,160
	22,892,356	20,081,160

Summarized financial information of Gulshan Weaving Mills Limited as at June 30, 2009 (Un-audited) is set out below.

	2009	2008
Total assets	**2,727,340,226**	2,389,541,079
Total liabilities	**1,972,976,934**	1,840,109,007
Net assets	**754,363,292**	549,432,072
Company's share of associate's net assets	**22,892,356**	20,081,160
Sales - net	**3,077,260,361**	2,693,160,940
Profit for the year	**76,231,233**	33,431,742
Company's share of associate's profit for the year	**2,771,594**	1,215,244

6.1.4 Gulistan Power Generation Limited

	2009	2008
110,000 (June 30, 2008 : 110,000) shares of Rs.10 each Equity held 1.506 (June 30, 2008 : 1.506) % Cost	**1,000,000**	1,000,000
Accumulated share of post acquisition profit	**2,562,790**	2,815,478
Share of profit for the year	**34,326**	(252,688)
Share of surplus on revaluation of property, plant and equipment	**45,894**	-
	2,643,010	2,562,790
	3,643,010	3,562,790

Summarized financial information of Gulistan Power Generation as at June 30, 2009 (Un-audited) is set out below:

		2009	2008
		..........Rupees..........	
Total assets		**406,022,989**	402,992,922
Total liabilities		**209,230,056**	216,334,271
Net assets		**196,792,933**	186,658,651
Company's share of associate's net assets		**3,643,010**	3,562,790
Sales - net		**466,914,466**	234,694,794
Profit / (loss) for the year		**2,279,266**	(16,778,764)
Company's share of associate's loss for the year		**34,326**	(252,688)

6.1.5 These investments in associates are accounted for using equity method of accounting, due to significant influence of the company achieved by virtue of common directorship.

			2009	2008
6.2	**Other investments**			
	Available for sale - at fair value		**126,520**	126,520
	Unrealized gain / (loss) due to changes in fair value of investments		**(105,075)**	(84,191)
			21,445	42,329
6.2.1	**Oil and Gas Development Company Limited** 69 (June 30, 2008 : 69) fully paid ordinary shares Market value as at June 30, 2009 : Rs. 78.64 (June 30, 2008 : Rs. 124.36)		**5,426**	8,581
6.2.2	**MCB Bank Limited** 103 (June 30, 2008 : 103) fully paid ordinary shares Market value as at June 30, 2009 : Rs. 155.03 (June 30, 2008 : Rs. 326.38)		**15,968**	33,617
6.2.3	**Maple Leaf Cement Factory Limited** 12 (June 30, 2008 : 12) fully paid ordinary shares received bonus Market value as at June 30, 2009 : Rs. 4.25 (June 30, 2008 : Rs. 10.91)		**51**	131
			21,445	42,329
7	**LONG TERM DEPOSITS**			
	Deposits refundable		**735,468**	735,468
	Lease key money	7.1	**8,025,217**	8,311,059
	Other security deposits	7.2	**1,273,000**	1,245,600
			10,033,685	10,292,127
	Less: current portion shown in current assets	12	**(42,450)**	(853,642)
			9,991,235	9,438,485

7.1 These are interest free deposits given to various leasing companies, modarabas and banking companies.

7.2 These are interest free refundable deposits given to various Government Agencies and Central Depository Company of Pakistan Limited.

			2009	2008
			........Rupees........	
8	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		**16,976,025**	16,832,191
	Spare parts		**10,004,130**	6,313,472
	Loose tools		**601,200**	227,733
	Stores in transit		**285,907**	5,011,320
			27,867,262	28,384,716
9	**STOCK IN TRADE**			
	Raw material		**466,424,892**	420,557,837
	Raw material in transit		**2,994,568**	-
	Work in process		**14,119,019**	14,080,684
	Finished goods		**178,343,214**	136,767,232
	Waste		**1,087,323**	1,960,442
			662,969,016	573,366,195
10	**TRADE DEBTS**			
	Related parties (unsecured - considered good)			
	Paramount Spinning Mills Limited		**-**	6,063,563
	Gulshan Weaving Mills Limited		**1,358,802**	2,528,635
			1,358,802	8,592,198
	Others			
	Yarn debtors (unsecured - considered good)		**179,899,929**	145,497,262
	Waste debtors (unsecured - considered good)		**1,866,263**	-
	Foreign debtors (secured through letters of credit - considered good)		**42,332,150**	35,871,311
			224,098,342	181,368,573
			225,457,144	189,960,771
11	**LOANS AND ADVANCES**			
	Unsecured - considered good			
	Loan to related party			
	Gulistan Corporation (Private) Limited	11.1	**-**	17,252,793
	Advances			
	Suppliers		**76,910,198**	11,944,638
	Staff		**1,925,313**	1,313,465
	Contractors		**728,454**	693,454
			79,563,965	31,204,350

11.1 Loan to related party carries mark up at the rate of thirty two paisa per thousand per day equivalent to six month KIBOR plus 1.68. Loan to related party has been fully received during the year.

12	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Short term prepayments		**1,710,464**	564,659
	Current portion of long term deposits	7	**42,450**	853,642
	Other receivables		**208,580**	215,315
			1,961,494	1,633,616

		Note	2009	2008 Rupees
13	**MARK UP ACCRUED**			
	Interest accrued			
	Loan to related party		-	44,706
	PLS term deposits		**1,070,846**	879,590
			1,070,846	924,296
14	**TAX REFUNDS DUE FROM GOVERNMENT**			
	Export rebate receivable		**904,826**	632,583
	Advance income tax		**5,909,914**	1,046,398
	Federal excise duty		**374,472**	158,913
	Sales tax refundable	14.1	**8,903,588**	6,864,700
			16,092,800	8,702,594

14.1 These represents accumulated difference of input tax and sales tax payable.

		Note	2009	2008
15	**CASH AND BANK BALANCES**			
	Cash in hand		**11,192**	32,736
	Cash with banks			
	Current accounts		**13,963,445**	58,201,867
	Certificates of deposit	15.1	**44,800,895**	27,290,594
			58,775,532	85,525,197

15.1 These are under lien regarding guarantees provided by various financial institutions and carries mark up ranging from 1.50 percent to 11.00 percent (June 30, 2008 : 1.70 percent to 11.30 percent) per annum.

		2009	2008
16	**NON - CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**		
	Land classified as held for sale	**10,297,284**	-
		10,297,284	-

Free hold land located at Raiwind has been classified and presented as non current assets held for sale following the approval of board of directors of the company in December 2008. The management considers that the company does not immediately need this land, while it needs the finance to meet its working capital requirements / running expenses. The chief executive is authorized on behalf of the company to enter into the agreement to sale with the buyer with in next twelve months to receive the consideration against the receipt, execute deed of conveyance and handover original property documents and possession to the buyer. The amount of liabilities directly associated with the non current assets classified as held for sale represent the amount received as advance for sale of this land. The competition for the transaction is expected within twelve months from the balance sheet date. The non current assets classified as held for sale and liabilities directly associated with the non current assets classified as held for sale under IFRS 5 "Non - current Assets Held for Sale and Discontinued Operations" in their respective categories are summarized accordingly.

17 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

Number of shares 2009	2008		2009	2008 Rupees
6838,330	6,838,330	Ordinary shares of Rs. 10 each alloted for consideration paid in cash	**68,383,300**	68,383,300
6,471,670	5,261,670	Ordinary shares of Rs. 10 each alloted as bonus shares	**64,716,700**	52,616,700
13,310,000	12,100,000		**133,100,000**	121,000,000

17.1 Following shares were held by associates of the company as at balance sheet date.
Number of ordinary shares of Rs. 10 each

Gulistan Textile Mills Limited	**3,783,865**	3,439,878
Paramount Spinning Mills Limited	**184,343**	167,585
Peridot Product (Private) Limited	**1,222,869**	41,745
Premier (Private) Limited	**82,703**	75,185
	5,278,779	3,724,393

17.2 The company has issued 1,210,000 (June 30, 2008 : 1,100,000) ordinary shares as fully paid bonus shares.

17.3 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 without restriction.

	Note	2009 Rupees	2008 Rupees
18 RESERVES			
Capital reserve	18.1	**25,000,000**	25,000,000
Fair value reserve	18.2	**(105,075)**	(84,191)
		24,894,925	24,915,809

18.1 This represents share premium received on 5,000,000 ordinary shares of Rs. 10 each issued in 1994 at a premium of Rs. 5 per share.

18.2 This fair value reserve represents results in diminution in value of investments available for sale.

	Note	2009 Rupees	2008 Rupees
19 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Surplus on revaluation of property, plant and equipment (land)	19.1	**78,687,468**	72,785,068
Share of surplus on revaluation of property, plant and equipment of associates (land)		**5,543,601**	5,443,998
		84,231,069	78,229,066

19.1 This represents surplus on revaluation of land carried on December 31, 2008, previously revalued on June 30, 2006.

	Note	2009 Rupees	2008 Rupees
20 DEFERRED INCOME			
Gain on sale and lease back	20.1	**1,137,508**	1,516,677
Less : Amortization during the year		**(379,169)**	(379,169)
		758,339	1,137,508

20.1 This represents excess of sale proceeds over carrying amount in sale and lease back of assets. This amount is amortized over the lease term in equal proportion.

	Note	2009 Rupees	2008 Rupees
21 LONG TERM FINANCING			
Unsecured - from related party	21.1	-	145,750,000
Secured - from banking companies and financial institutions	21.2	**8,113,500**	21,979,250
		8,113,500	167,729,250

21.1 This represent unsecured loan from M/s Premier (Private) Limited (related party), which carries mark up at the rate of KIBOR plus 1.25 percent, calculated on the daily outstanding balance. The amount of loan has been fully paid during the year.

	Note	2009	2008
		...Rupees...	
21.2 Secured - from banking companies and financial institutions			
Syndicated finance	21.2.1	**12,949,750**	42,566,150
Long term finance	21.2.2	**14,261,575**	3,514,000
		27,211,325	46,080,150
Less : Current portion		**19,097,825**	24,100,900
		8,113,500	21,979,250

21.2.1 The Company has arranged syndicated financing through a financial institution to finance the balancing, modernizing and replacement (BMR) activities.

The loan carries mark up at base rate plus 1.75 percent. The base rate is defined as the six month KIBOR prevailing one working day prior to the beginning of each semi annual period for the mark up due at the end of that semi annual period.
The finance is repayable in ten equal half yearly installments, commencing from September 17, 2005.

The finance is secured by first ranking pari passu with the charges / mortgages over entire present and future fixed assets of the company of Rs. 146.67 million, comprising of land, building, plant and machinery and personal guarantees of directors of the company.

The company has arranged with UBL to obtain refinance from State Bank of Pakistan (SBP) under scheme for long term financing of export oriented projects (LTF - EOP). Out of total outstanding amount under existing syndicated loan of Rs. 77.00 million, Rs. 31.675 million transferred to LTF - EOP refinanced by SBP. The loan carries mark up at the rate of 7% per annum under the scheme, which is also an effective rate of mark up.

21.2.2 This loan was obtained to cover civil work involved in installation of generators. The loan was disbursed in two trenches of Rs. 3.04 million and Rs. 1.54 million respectively.

The loan is secured against first pari passu ranking charge on all present and future fixed assets of the company amounting to Rs. 6.107 million and personal guarantees of directors of the company.
The loan is repayable in twenty equal quarterly installments of Rs. 152,000 and Rs. 77,000 each commencing from December 30, 2006 and September 30, 2007 respectively and is subject to mark up of six months KIBOR plus three percent.

	Note	2009	2008
		Rupees	
22 LONG TERM LOAN FROM DIRECTOR			
Unsecured - from director	22.1	**103,000,000**	-
		103,000,000	-

22.1 This is subordinated, interest free loan and repayable after 3 years from the date of receipt.

23 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009			2008		
	Minimum lease Payment	Finance charges for future period	Present value of minimum lease payments	Minimum lease payments	Finance charges for future periods	Present value of minimum lease payments
	Rupees			Rupees		
Payable within one year	37,088,134	10,917,552	26,170,582	41,823,714	11,119,969	30,703,745
Payable after one year but not later than five years	80,889,982	8,821,864	72,068,118	100,358,658	12,020,918	88,337,740
	117,978,116	**19,739,416**	**98,238,700**	142,182,372	23,140,887	119,041,485

23.1 These represent machinery and vehicles acquired under finance lease arrangements from various leasing and banking companies. The financing rate used as discounting factor ranges from 7.00 to 21.01 (June 30, 2008 : 7.00 to 17.76) percent per annum. The rentals are payable in equal monthly and quarterly installments expiring on various dates by November 2013.

Purchase options are available to the company after payment of last installment and on surrender of deposit at the end of lease period. The company intends to exercise its option to purchase the leased assets at its salvage value upon the completion of respective lease period. Taxes, replacement and insurance costs are borne by the company.

	Note	2009	2008
		................Rupees................	
24 DEFERRED LIABILITIES			
Staff retirement benefits - gratuity	24.1	**12,226,699**	12,259,592
Deferred taxation	24.2	**9,409,879**	10,044,662
		21,636,578	22,304,254

24.1 Staff retirement benefits - gratuity

24.1.1 Actuarial valuation has been carried out as at June 30, 2009 using the "Projected Unit Credit Method" assuming a discount rate of 12 (June 30, 2008 : 10) percent per annum, expected rate of increase in salaries at 11 (June 30, 2008 : 11) percent per annum and average expected remaining working life time of employees is 10 (June 30, 2008 : 10) years.

24.1.2 Movement in the net liability recognized in the balance sheet

	Note	2009	2008
		................Rupees................	
Opening net liability		**12,259,592**	9,259,677
Expense for the year	24.1.6	**5,799,292**	5,540,679
Benefits paid during the year		**(5,832,185)**	(2,540,764)
Closing net liability		**12,226,699**	12,259,592

24.1.3 Reconciliation of net liability recognized in the balance sheet

	Note	2009	2008
Present value of defined benefit obligation		**13,506,905**	13,212,038
Unrecognized actuarial losses	24.1.5	**(1,280,206)**	(952,446)
Balance at end of year		**12,226,699**	12,259,592

24.1.4 Movement in present value of defined benefit obligation

	2009	2008
Present value of defined benefit obligation - opening	**13,212,038**	9,860,239
Current service cost	**4,213,847**	4,554,655
Interest cost	**1,585,445**	986,024
Actuarial loss	**327,760**	351,884
Benefits paid	**(5,832,185)**	(2,540,764)
Present value of defined benefit obligation - closing	**13,506,905**	13,212,038

24.1.5 Movement in unrecognized actuarial losses

	2009	2008
Opening balance	**952,446**	600,562
Actuarial loss arising during the year	**327,760**	351,884
Closing balance	**1,280,206**	952,446

24.1.6 Expense recognized in the profit and loss account

	2009	2008
Current service cost	**4,213,847**	4,554,655
Interest cost	**1,585,445**	986,024
Net amount recognized in profit and loss account	**5,799,292**	5,540,679

24.1.7. Historical information

	2009	2008	2007 Rupees'000'	2006	2005
Present value of defined benefit obl.	13,507	13,212	9,860	9,214	7,468
Experience adjustments on plan liab	(328)	(352)	(319)	(36)	(24)

24.1.8 Expected gratuity expense for the year ending June 30, 2010 computed to Rs. 5,980.390.

24.2 Deferred taxation

The net liability for deferred taxation comprises timing differences relating to

	2009	2008
Taxable temporary differences (deferred tax liabilities)		
Accelerated tax depreciation - owned assets	**23,625,624**	25,283,606
Deductible temporary differences (deferred tax assets)		
Accelerated tax depreciation - assets held under finance lease	**973,472**	(564,857)
Staff retirement benefits - gratuity	**(1,627,933)**	(1,741,391)
Accumulated assessed losses available for set off against normal taxation	**(13,561,284)**	(12,932,696)
	9,409,879	10,044,662

24.2.1 In view of applicability of presumptive tax regime on major portion of taxable income, deferred tax liability has been worked out after taking effect of income covered under presumptive tax regime.

		Note	2009	2008
			..........Rupees..........	
25	**TRADE AND OTHER PAYABLES**			
	Creditors		**8,714,048**	51,653,061
	Bills payable		**32,038,727**	63,209,909
	Payable to related parties	25.1	**2,852,878**	-
	Accrued liabilities		**27,886,424**	14,934,186
	Workers' profit participation fund	25.2	**984,849**	1,242,883
	Workers' welfare fund	25.3	**646,377**	-
	Unclaimed dividend		**432,393**	432,393
	Tax deducted at source		**889,629**	186,526
			74,445,326	131,658,958

25.1 This represents payable to Paramount Spinning Mills Limited (a related party) on account of advance received against sale of waste, Rs. 2,852,878 (June 30, 2008 : Rs. Nil).

25.2 Workers' profit participation fund

	Note	2009	2008
Balance at beginning of year		**1,242,883**	632,059
Interest on funds utilized in the company's business	25.2.1	**163,277**	54,565
		1,406,160	686,624
Paid to the fund during the year		**1,406,160**	686,624
		-	-
Allocation / expense for the year	35	**984,849**	1,242,883
		984,849	1,242,883

25.2.1 Interest on workers' profit participation fund has been provided at the rate of 17.5 (June 30, 2008 : 11.50) percent per annum.

25.3 Workers' welfare fund

	2009	2008
Balance at beginning of year	**-**	-
Expense for the year	**646,377**	
	646,377	-

	Note	2009 Rupees	2008
26 ACCRUED MARK UP / INTEREST			
Mark up accrued			
Long term financing		**1,984,193**	4,340,731
Liabilities against assets subject to finance lease		**864,838**	944,927
Short term borrowings		**32,957,807**	18,507,789
		35,806,838	23,793,447

27 SHORT TERM BORROWINGS

Secured - from banking companies and other financial institutions

	Note	2009	2008
Short term borrowings	27.1	**928,189,240**	698,268,093
Temporary overdraft	27.2	**1,082,198**	192,364
		929,271,438	698,460,457

27.1 The credit limits available for short term bank borrowings are Rs. 1,075 million (June 30, 2008 : Rs.1,335) million. These borrowings were secured against pledge of stocks, book debts and lien on export documents. Mark up is payable on quarterly basis and it ranges from 13.81 to 18.01 (June 30, 2008 : 5.046 to 15.63) percent per annum. Average effective interest rate is 16.19 percent. These facilities will expire on various dates by December 31, 2010.

27.2 This represents cheques issued by the company in excess of balance with banks which would have been presented for payments in subsequent period.

28 LIABILITIES DIRECTLY ASSOCIATED WITH NON - CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2009	2008
Advance against sale of property	28.1	**27,587,812**	-
		27,587,812	-

28.1 This represents advance received against sale of land classified as non-current asset classified as held for sale.

29 CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

(a) An amount of Rs. 2,854,341 was payable to excise and taxation department, Government of Sindh, in respect of infrastructure fee. The company has not provided for this amount as the company has filed an appeal before Honorable Sindh High Court (SHC) against the levy of said fee on imports by the company. Pending the decision of appeal, SHC has directed that imports of the company be released against furnishing of bank guarantees. The company has provided bank guarantees amounting to Rs. 10,000,000 (June 30, 2008 : Rs. 10,000,000) for this purpose.

(b) Bank guarantees issued on behalf of the company

	2009	2008
Sui Northern Gas Pipelines Limited	**18,500,000**	18,500,000
Director of Excise and Taxation	**10,000,000**	10,000,000
	28,500,000	28,500,000
(b) Bill discounted with recourse	**206,034,903**	-

29.2 Commitments

	2009	2008
Irrevocable letters of credit		
Capital expenditure	-	5,226,408
Other than capital expenditure	-	58,666,800
	-	63,893,208

		Local Rupees	Export Rupees	2009 Total Rupees	2008 Total Rupees
30	**SALES - NET**				
	Gross sales				
	Yarn	484,896,400	807,971,762	1,292,868,162	1,148,399,981
	Waste	80,960,861	-	80,960,861	63,929,193
	Cotton	9,425,832	-	9,425,832	3,066,212
		575,283,093	807,971,762	1,383,254,855	1,215,395,386
	Less :				
	Sales return	(12,291,000)	-	(12,291,000)	(3,726,800)
	Commission	(2,783,543)	(12,952,932)	(15,736,475)	(13,009,686)
		560,208,550	795,018,830	1,355,227,380	1,198,658,900
	Add : Export rebates	-	449,683	449,683	125,743
		560,208,550	795,468,513	1,355,677,063	1,198,784,643

30.1 Export sales includes exchange gain / loss amounting to Rs.16,755,536 (June 30, 2008 : 4,392,816).

		Note	2009	2008
			..............Rupees...........	
31	**COST OF SALES**			
	Raw material consumed	31.1	915,655,706	837,094,056
	Raw material sold		10,598,826	2,652,431
	Packing material consumed		20,006,343	19,882,612
	Stores and spare parts consumed		14,164,533	12,435,852
	Fuel and power consumed		85,750,736	68,537,956
	Yarn processing charges		12,250,411	2,244,865
	Salaries, wages and benefits	31.2	64,993,659	57,337,804
	Insurance expense		3,506,319	1,854,405
	Repair and maintenance		3,555,165	3,445,362
	Depreciation	5.1.1	24,027,540	28,676,718
	Others		1,939,293	1,911,524
			1,156,448,531	1,036,073,585
	Work in process			
	Opening stock		14,080,684	11,715,199
	Closing stock		(14,119,019)	(14,080,684)
			(38,335)	(2,365,485)
	Cost of goods manufactured		1,156,410,196	1,033,708,100
	Finished stocks			
	Opening stock		138,727,674	93,925,911
	Finished goods purchased		20,421,125	29,814,757
	Closing stock		(179,430,537)	(138,727,674)
			(20,281,738)	(14,987,006)
			1,136,128,458	1,018,721,094
31.1	Raw material consumed			
	Opening stock		420,557,837	313,648,509
	Purchases		972,121,587	946,655,815
			1,392,679,424	1,260,304,324
	Raw material sold		(10,598,826)	(2,652,431)
	Closing stock		(466,424,892)	(420,557,837)
			915,655,706	837,094,056

31.2 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 4,002,812 (June 30, 2008 : Rs. 3,791,583).

		Note	2009	2008
			...........Rupees...........	
32	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Mark up on loans to related party		**3,287,937**	2,582,247
	Profit on saving accounts		**2,269,623**	2,261,693
	Foreign exchange gain		**908,582**	2,444,262
	Others - dividend		**1,841**	1,926
	Income from assets other than financial assets			
	Amortization of surplus on sale and lease back	20	**379,169**	379,169
			6,847,152	7,669,297
33	**DISTRIBUTION COST**			
	Postage and telephone		**344,150**	283,660
	Foreign currency charges on export		**3,089,142**	2,774,989
	Freight and handling - export		**15,539,191**	15,437,862
	Freight and handling - local		**1,418,239**	919,089
	Export development surcharge		**2,208,453**	1,491,203
	Others		**327,186**	789,599
			22,926,361	21,696,402
34	**ADMINISTRATIVE EXPENSES**			
	Directors' benefits	34.1	**42,707**	16,405
	Staff salaries and benefits	34.2	**15,580,917**	14,180,819
	Rent, rates and taxes		**277,425**	10,000
	Printing and stationery		**650,578**	857,313
	Postage and telephone		**792,245**	845,996
	Electricity, gas and water		**480,702**	449,782
	Repair and maintenance		**1,005**	120,997
	Vehicles running and maintenance		**1,157,368**	951,645
	Advertising		**49,600**	51,000
	Traveling and conveyance		**584,699**	594,326
	Legal and professional		**208,000**	308,380
	Auditors' remuneration	34.3	**668,500**	380,000
	Fee and subscription		**180,074**	239,352
	Insurance		**160,000**	160,000
	Depreciation	5.1.1	**1,960,415**	1,435,445
	Others		**152,295**	109,889
			22,946,530	20,711,349

34.1 This represents traveling expenses paid to one of the directors of the company.

34.2 Staff salaries and benefits include staff retirement benefits amounting to Rs. 1,796,480 (June 30, 2008 : Rs. 1,749,096).

		Note	2009	2008
34.3	**Auditors' remuneration**			
	Annual audit		**500,000**	220,000
	Half yearly review		**93,500**	85,000
	Review report on code of corporate governance		**75,000**	75,000
			668,500	380,000
35	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund	25.2	**984,849**	1,242,883
	Workers' welfare fund		**646,377**	-
	Donations	35.1	**643,883**	637,500
	Foreign exchange loss		**1,960,752**	5,655,108
			4,235,862	7,535,491

35.1 This includes donations of Rs. 643,883 (June 30, 2008 : Rs 637,500) to Haji Jamal ud Din charitable trust (unrecognized trust) in which following directors are also trustees. Besides this, none of the directors and their spouses had any interest in donee institutions.

Mr. Abdul Shakoor	Director
Mr. Naseer Ahmed	Director
Mr. N.R. Siddiqui	Director
Mr. Tanveer Ahmed	Chief executive officer

			2009 Rupees	2008 Rupees
36	**FINANCE COST**			
	Mark up			
	Long term financing		**17,342,256**	17,502,732
	Liabilities against assets subject to finance lease		**10,925,434**	13,740,504
	Long term murabaha		-	1,273,106
	Short term borrowings		**126,575,267**	79,257,092
	Workers' profit participation fund	25.2	**163,277**	54,565
	Bank charges and commission		**3,378,285**	2,401,400
			158,384,519	114,229,399
37	**TAXATION**			
	Current		**8,015,293**	6,998,452
	Deferred		**(634,783)**	6,088,674
			7,380,510	13,087,126

Provision for the year has been made under section 169 "tax collected or deducted as a final tax" of the Income Tax Ordinance, 2001. Assessment for the tax year 2008 is deemed assessments in terms of section 120(1) of the Ordinance, as per returns filed by the company.

37.1 Relationship between tax expenses and accounting profit

	2009	2008
Accounting profit before tax	**17,902,485**	23,560,205
Tax on accounting profit (35%)	**6,265,870**	8,246,072
Tax effect of amounts taxed at lower rates / presumptive tax regime	**8,015,293**	6,998,452
Tax effect of tax credits	**(6,900,653)**	(2,157,398)
Taxation for current year	**7,380,510**	13,087,126

38 EARNINGS PER SHARE - BASIC AND DILUTED

The calculation of the basic earnings per share is based on the following data.

	2009	2008
Earnings		
Earnings for the purpose of basic earnings per share		
Profit after taxation (Rupees)	**13,330,012**	11,460,715
Number of shares		
Weighted average number of ordinary shares outstanding during the period (Number of shares)	**13,310,000**	13,310,000
Earnings per share - basic and diluted (Rupees per share)	**1.00**	0.86

Earning per share - basic and diluted for the prior year has been adjusted for the increase in the number of ordinary shares outstanding as a result of bonus issue.

39 POST BALANCE SHEET DATE EVENTS (STOCK DIVIDEND)

In respect of current year, the directors have proposed the stock dividend in the form of bonus shares @ 10% (June 30, 2008 : 10 %) of the existing ordinary shares of the company. This dividend is subject to approval by the shareholders at the forthcoming annual general meeting and has not been included as a liability in these financial statements. This will be accounted for in the year of issue.

40 CHANGES IN WORKING CAPITAL

	2009	2008
	Rupees	
(Increase) / decrease in stores, spare parts and loose tools	**517,454**	(2,690,081)
(Increase) / decrease in stock in trade	**(89,602,821)**	(153,966,773)
(Increase) / decrease in trade debts	**(35,496,373)**	(45,684,460)
(Increase) / decrease in loans and advances	**(48,359,615)**	28,376,460
(Increase) / decrease in trade deposits and short term prepayments	**(327,878)**	(870,238)
(Increase) / decrease in other receivables	**-**	(235,857)
(Increase) / decrease in sales tax refundable	**(2,526,690)**	2,505,323
(Decrease) / increase in trade and other payables	**(57,213,632)**	(6,412,709)
	(233,009,555)	(178,978,335)

41 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

No remuneration was paid to chief executive officer and directors. However, one director is provided with free use of company maintained car. The monetary value of the benefit is Rs. 42,707 (June 30, 2008 : Rs. 16,405). The remuneration paid to executive are as follows:

	Note	2009	2008
		Rupees	

42 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts.

	2009	2008
Cash in hand	**11,192**	32,736
Cash with banks		
Current accounts	**13,963,445**	58,201,867
Certificates of deposit	**44,800,895**	27,290,594
Temporary overdraft	**(1,082,198)**	(192,364)
	57,693,334	85,332,833

43 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company has exposure to the following risk from its use of financial statements.

43.1 Credit risk
43.2 Liquidity risk
43.3 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.

43.1 Credit risk

43.1.1 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, short term prepayments and cash & bank balances. Out of total financial assets of Rs. 297.471 million (June 30, 2008 : 305.484 million), financial assets which are subject to credit risk aggregate to Rs. 238.696 million (June 30, 2008 : 219.959 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.

	Note	2009 Rupees	2008 Rupees
Long term deposits		**9,991,235**	9,438,485
Trade debts		**225,457,144**	189,960,771
Loans and advances		**1,925,313**	18,566,258
Trade deposits, prepayments and other receivables		**251,030**	1,068,957
Accrued mark up		**1,070,846**	924,296
Cash and bank balances		**58,775,532**	85,525,197
		297,471,100	305,483,964

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

	2009	2008
Local debtors	**183,124,994**	154,089,460
Export debtors	**42,332,150**	35,871,311
	225,457,144	189,960,771

The majority of export debtors of the company are situated in Asia.

43.1.3 The maximum exposure to credit risk for trade debtors at the balance sheet date by type of customers is as follows.

	2009	2008
Yarn	**223,590,881**	189,960,771
Waste	**1,866,263**	-
	225,457,144	189,960,771

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

	2009	2008
Not past due	**169,086,716**	127,060,193
Past due 0 - 90 days	**39,535,741**	46,485,465
Past due 91 - 180 days	**13,355,807**	11,625,501
Past due 181 days - 1 year	**2,840,718**	4,148,600
More than one year	**638,162**	641,012
	225,457,144	189,960,771

43.2 Liquidity risk

Liquidity risk is the risk the company will not be able to meet is 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 insuring 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.

	2009 Rupees					
	Carrying amount	Contractual cash flow	Six months or less	Six to tgwelve months	Two to five year	More than five years
Non - derivative						
Financial liabilities						
Long term financing	27,211,325	29,038,030	8,648,353	11,199,183	9,190,494	
Long term loans from director	103,000,000	103,000,000	-		103,000,000	
Liabilities against asset subject to finance lease	98,238,700	117,978,116	16,613,423	20,474,707	80,889,986	
Trade and other payables	71,924,470	74,445,326	-	-		
Mark up accrued on loans	35,806,838	35,806,838	35,806,838	-	-	
Short term borrowings	929,271,438	1,004,495,961	1,004,495,961	-	-	-
	1,265,452,771	**1,364,764,271**	**1,065,564,575**	**31,673,890**	**193,080,480**	**-**

	2008 Rupees					
	Carrying amount	Contractual cash flow	Six months or less	Six to tgwelve months	Two to five year	More than five years
Non - derivative						
Financial liabilities						
Long term financing	167,729,250	209,157,044	9,150,596	13,726,655	186,279,793	
Long term loans from director	-	-	-	-		
Liabilities against asset subject to finance lease	119,041,485	142,182,372	21,586,927	20,236,787	100,358,658	
Trade and other payables	130,229,549	131,658,958	131,658,958			
Mark up accrued on loans	23,793,447	23,793,447	23,793,447		-	
Short term borrowings	698,460,457	738,237,780	738,237,780			
	1,139,254,188	1,245,029,601	924,427,708	33,963,442	286,638,451	

43.2.1 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, 2009. The rates of mark up have been disclosed relevant notes to these financial statements.

43.3 Market risk

Market risk is the risk that the value of the financial instruments may fluctuate as a result of changes 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.

43.3.1 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 currency other than the respective functional currency of the company, primarily in US$. The currencies in which these transactions primarily denominated in US$ and Euro. The company's exposure to foreign currency risk is as follows.

	US$	Others	Rupees
Trade debts 2009	**531,749**	-	**42,332,150**
Trade debts 2008	539,743	-	35,871,311

The following significant exchange rates applied during the year.

	Average Rates		Reporting date rates	
	2009	2008	2009	2008
US$ to Rupee	**76.37**	61.60	**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 Rupee against the above currencies at periods ends would have had the opposites effect on the above currencies to the shown below, on the basis that all other variables remain constant.

	2009	2008
	Rupees	
US Dollar	**(1,363,548)**	(1,003,913)

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

43.3.2 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 change in market interest rates. Majority of the interest rate exposure arises from short and long term borrowing from banks and term deposits in PLS saving accounts with bank. 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	**46,886,319**	57,158,701
Variable rate instruments		
Financial assets	**44,800,895**	27,290,594
Financial liabilities	**1,006,752,946**	928,072,491

Fair value sensitivity 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 effect profit and loss account.

Cash flow sensitivity analysis for variables 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 and Loss		Equity	
	100 bp decrease	100 bp increase	100 bp decrease	100 bp decrease
	Rupees			
Cash flow sensitivity - variable rate instruments 2009	(1,550,062)	1,550,062	-	-
Cash flow sensitivity - variable rate instruments 2008	(1,118,280)	1,118,280		

43.4 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.

	2009	2008
	Rupees	
43.5 Off balance sheet items		
Bill discounted with recourse	**206,034,903**	-
Bank guarantees issued in ordinary course of business	**28,500,000**	28,500,000
Letter of credit for capital expenditure	-	5,226,408
Letter of credit other than capital expenditure	-	58,666,800

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

44 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 borrowing divided by the total capital employed Borrowing represent long term financing, long term loan from director and short term borrowings. The capital employed includes total equity as shown in the balance sheet plus borrowing.

		2009	2008
Borrowings	Rupees	**1,059,482,763**	890,290,607
Total equity	Rupees	**268,592,848**	255,283,720
Total capital employed	Rupees	**1,328,075,611**	1,145,574,327
Gearing ratio	Percentage	**79.78**	77.72

45 RELATED PARTY TRANSACTIONS

The related parties comprise holding company, subsidiaries and associated undertakings, companies with common directorship, other related group companies, directors of the company, key management personnel and post employment benefit plans. The mark up on loan to Gulistan Corporation (Private) Limited is charged at the rate of June 30, 2009 : Nil (June 30, 2008 : thirty two paisa per thousand per day). Nature and description of related party transactions along with monetary value are as follows.

Nature of relationship	Nature of transaction	2009 Rupees	2008 Rupees
Related parties due to common directorship	Purchase of stores, spares and loose tools	**151,700**	164,676
	Purchase of yarn	**22,190,669**	29,814,757
	Electricity purchases	**4,748,587**	7,209,652
	Purchase of waste	**495,593**	1,625,840
	Purchase of cotton	-	60,418,568
	Purchase of polyester	**360,451**	
	Sale of cotton	-	3,647,611
	Sale of yarn	**135,784,602**	125,752,884
	Sale of waste	**67,430,330**	55,238,522
	Sale of stores, spares and loose tools	**36,000**	62,200
	Services received	**12,250,411**	2,244,865
	Services rendered	-	299,084
	Mark up earned	**3,287,937**	2,582,247
	Mark up cost	**11,982,830**	11,960,808
Compensation of key management personnel	Remuneration and other benefits	**4,462,357**	2,408,475
	Post employment benefits	**2,965,427**	2,154,480

The related party status of outstanding receivable / payable, and investments as at June 30, 2009 is disclosed in the respective notes to the financial statements.

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 other than under their terms of employments / entitlements. Balance outstanding from related parties are unsecured and repayable

46 PLANT CAPACITY AND ACTUAL PRODUCTION

	2009	2008
Number of spindles installed	**24,096**	24,096
Number of spindles on the basis of shifts worked	**26,168,256**	26,133,556
Number of shifts worked	**1,086**	1,095
Installed capacity in kilograms after conversion into 20/s counts	**8,029,854**	8,029,854
Actual production of yarn in kilograms after conversion into 20/s counts	**7,416,142**	7,402,973
All counts production	**7,763,855**	7,940,684

46.1 It is difficult to precisely describe production capacity and the resultant production in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw material used, spindle speed, twist etc.

46.2 The difference between installed capacity and actual production is in normal course of business.

47 CORRESPONDING FIGURES

Figures have been rearranged / reclassified whenever necessary for the purpose of better presentation and comparison. Minor reclassification were made in cash flow statement for better presentation and understanding. Significant reclassifications includes the followings.

Note	Reclassification		Nature	Rupees
	From	To		
12	Other receivables	Trade deposits and short term prepayments	Proper allocation of head of account	**215,315**
14	Other receivables	Tax refunds due from government	Proper allocation of head of account	**158,913**

48 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 07th October, 2009 by the board of directors of the company.

TANVEER AHMED
Chief Executive

NASEER AHMED
Director

KEY OPERATIONG & FINANCIAL DATA
FOR THE LAST SIX YEAR

	2009 RUPEES	2008 RUPEES	2007 RUPEES	2006 RUPEES	2005 RUPEES	2004 RUPEES
OPERATING RESULTS						
Total number of Spindles installed	24,096	24,096	24,096	21,216	19,200	19,200
Total number of Spindles shifts worked	26,168,256	26,133,556	26,127,676	22,014,016	15,609,600	21,024,000
Install capacity 20's Count	8,029,854	8,029,854	8,029,854	7,136,753	5,047,674	6,730,165
Production converted into 20's Count	7,416,142	7,402,973	7,595,685	6,847,647	4,778,155	6,096,257
Number of shifts worked	1,086	1,095	1,095	1,095	813	1,095
Turnover	1,355,677,063	1,198,784,642	1,043,360,920	919,839,836	615,170,106	791,012,975
Gross Profit	219,548,605	180,063,549	154,818,814	139,382,351	84,657,111	55,950,504
Operating Expenses	4,235,862	7,535,491	8,047,511	34,218,332	25,238,950	17,502,382
Operating Profit	137,789,603	137,789,503	114,847,268	105,164,019	59,418,161	38,448,122
Other income	6,847,157	7,669,297	6,721,775	6,366,639	2,676,801	188,509
Financial & Other Charges	158,384,519	121,764,888	112,212,333	90,113,702	43,851,758	33,391,038
Profit for the year before taxation	20,710,522	24,547,842	11,068,907	22,474,968	19,417,701	5,245,593
PROVISION FOR TAXATION						
Current year	8,015,293	13,037,126	10,167,518	12,138,178	8,041,952	6,192,644
Prior year						(38,130)
taxation	7,380,510	13,087,126	10,167,518	12,138,178	8,041,952	6,154,514
Profit for the year after taxation	13,330,012	11,460,715	901,389	10,336,790	11,375,749	(908,921)
Unappropriated Profit brought forward	109,367,911	108,907,196	118,005,807	108,276,862	96,901,113	95,721,810
Profit available for appropriation	110,597,923	109,367,911	108,907,196	118,613,652	108,276,867	95,901,113
APPROPRIATION						
Proposed Dividend	-	-	-			
Unappropriated Profit Carried Forward	110,597,923	109,367,911	108,907,196	118,613,652	109,276,862	95,623,889
FINANCIAL POSITION						
Paid up Capital	133,100,000	121,000,000	110,000,000	100,000,000	100,000,000	100,000,000
Share Holder Equity	268,592,848	255,283,721	243,826,830	243,613,652	233,276,862	221,901,113
Long Term Loans	111,113,500	167,729,250	152,958,000	158,207,333	158,000,000	119,550,537
Obligation under Finance Leases	72,068,118	88,337,740	31,060,110	87,814,195	14,017,210	16,754,652
Deferred Liabilities	21,636,578	22,304,254	13,215,665	15,659,855	9,432,295	7,596,039
Current Liabilities	1,092,807,302	908,717,507	736,956,067	612,469,467	560,121,996	518,571,447
Fixed Assets	557,588,264	568,374,858	571,553,404	578,920,934	392,489,777	341,558,804
Long term Investments	77,160,774	24,273,968	23,290,157	21,218,081	18,547,575	17,030,336
Long term Deposit	9,991,235	9,438,485	10,292,127	7,486,003	3,311,561	2,851,193
Current Assets	1,073,758,059	919,701,735	740,108,247	58,138,503	559,891,855	523,884,940

DETAIL OF ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES ARE GIVEN BELOW

		NO. OF SHARES
1.	**DETAIL OF ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES ARE GIVEN BELOW**	
	Gulistan Textile Mills Limited	3,783,865
	Paramount Spinning Mills Limited	184,343
	Peridot Products (Pvt) Ltd.(Formerly: Sara Lee Kiwi Pakistan(Pvt) Ltd)	1,227,869
	Premier(Private) Limited	82,703
2.	**NIT & ICP**	
	Investment Corp. of Pakistan	781
	National Bank of Pakistan -Trustee dept.	539,053
3.	**DIRECTORS, CEO, THEIR SPOUSES AND MINOR CHILDERN**	
	DIRECTORS	
	Mr. Abdul Shakoor	25,121
	Mr. Naseer Ahmed	1,227,751
	Mr. Tanveer Ahmed	657,829
	Mr. Muhammad Younus	1,806
	Mr. Sohail Maqsood	500
	Mr. Mohammad Abdullah	665
	Mr. Riaz Ahmed	1,806
	SPOUSES	
	Mrs. Fahmeeda Begum	108,676
	Mrs. Nageen Naseer	136,409
	Mrs. Naureen Tanveer	969,850
4.	**BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARBAS AND MUTUAL FUNDS**	
	The Crescent Star Insurance Company Ltd.	11,000
	Habib Insurance Company Ltd.	25,954
5.	**SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST**	
	Gulistan Textile Mills Limited	3,783,865
6.	**TRADING IN SHARES DURING THE YEAR BY SPOUSE**	
	Nil	Nil

PATTERN OF SHARE HOLDING AS AT 30TH JUNE, 2009

NO. OF SHARE HOLDERS	SHAREHOLDING FROM	TO	TOTAL NUMBER OF SHARE HELD	PERCENTAGE OF TOTAL CAPITAL
529	1	100	10,043	0.08
225	101	500	39,434	0.30
254	501	1000	169,112	1.27
124	1001	5000	279,866	2.10
26	5001	10000	185,610	1.39
9	10001	15000	116,355	0.87
4	15001	20000	70,717	0.53
3	20001	25000	63,371	0.48
6	25001	30000	165,082	1.24
2	30001	35000	65,477	0.49
1	35001	40000	39,930	0.30
1	40001	45000	41,261	0.31
2	55001	60000	112,395	0.84
1	65001	70000	67,618	0.51
1	70001	75000	71,747	0.54
3	80001	85000	248,872	1.87
1	85001	90000	89,395	0.67
1	90001	95000	92,082	0.69
1	105001	110000	108,676	0.82
1	110001	115000	115,000	0.86
1	125001	130000	125,429	0.94
1	135001	140000	136,409	1.02
1	150001	155000	153,730	1.15
1	175001	180000	178,354	1.34
2	180001	185000	365,902	2.75
1	205001	210000	208,851	1.57
1	260001	265000	263,885	1.98
1	265001	270000	265,532	1.99
1	270001	275000	273,521	2.06
1	680001	685000	682,412	5.13
1	790001	795000	792,048	5.95
1	965001	970000	969,850	7.29
1	530001	535000	532,400	4.00
1	1195001	1200000	1,197,900	9.00
1	1225001	1230000	1,227,869	9.23
1	3780001	3785000	3,783,865	28.43
1212			**13,310,000**	**100.00**

CATEGORIES OF SHAREHOLDERS AS AT 30TH JUNE, 2009

S. No	Categories	No. of Shareholders	Shares Held	Percentage of Total Capital
1	Individuals	1189	7,030,616	52.82
2	Insurance Companies	2	36,954	0.28
3	Joint Stock Companies	15	423,816	3.18
4	Financial Institutions	2	539,834	4.06
5	Associated Companies	4	5,278,780	39.66
	TOTAL	**1212**	**13,310,000**	**100.00**

FORM OF PROXY

I/We, ______________________________ being member of **Gulistan Spinning Mills Limited**, holder of ______________ Ordinary Shares as per Share Register Folio No. __________ and / or CDC participant I.D. No. ______________ Account No. __________ hereby appoint ______________________ of ______________________ who is also member of **Gulistan Spinning Mills Limited** vide Folio No. ______________ or CDC participation I.D. No. ______________ Account No. ______________ or failing him / her ______________ of ______________ who is also member of **Gulistan Spinning Mills Limited** vide Folio No. __________ or CDC participation I.D. No. ______________ Account No. ______________ as my / our proxy to attend, speak and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on 30th October, 2009 and at any adjournment there(

As witness my / our hand this ______________ day of ______________ 2009

Signed by the said ______________________________

in the presence of ______________________________

Signature on
Rs. 5/-
Revenue
Stamps

Notes:

1. The proxy in order to be valid must be duly stamped, signed and witnessed and be deposited with the Company not later than 48 hours before the time of holding of meeting.
2. The proxy must be a member of the Company.
3. Signature should agree with the specimen signature, registered with the Company.
4. CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their National Identity Card / Passport in original to prove his / her identity, and in case of Proxy must enclose an attested copy of his / her NIC or Passport.
5. Representative of corporate members should bring the usual documents required for such purpose.